



FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# **Daily Report—**

## **East Asia**

**FBIS-EAS-95-004  
Friday  
6 January 1995**

This report may contain copyrighted material. Copying and dissemination  
is prohibited without permission of the copyright owners.

# Daily Report

## East Asia

FBIS-EAS-95-004

### CONTENTS

6 January 1995

**NOTICE TO READERS:** An \* indicates material not disseminated in electronic form.

#### INTER-ASIAN AFFAIRS

Reportage on ASEAN Regional Forum Meeting .....	1
Security Situation Discussed /THE NATION 6 Jan/ .....	1
ASEAN To Watch Koreas, PRC 'Closely' /BANGKOK POST 6 Jan/ .....	1
Agenda for Next ARF Meeting Discussed /THE NATION 6 Jan/ .....	2
* EAGA Convention Resolutions Described /BISNIS INDONESIA 21 Nov/ .....	2

#### NORTHEAST ASIA

##### Japan

Murayama Wants 'Constructive Talks' With Clinton /NIHON KEIZAI SHIMBUN 6 Jan/ .....	4
Security, Asia To Top Agenda /KYODO/ .....	4
Washington, Tokyo, Seoul To Discuss DPRK Proposal /NIHON KEIZAI SHIMBUN 5 Jan/ .....	4
Official Says Kozyrev Visit in Jan 'Unlikely' /KYODO/ .....	4
DA To Forge Security Ties With Russia, PRC, ROK /TOKYO SHIMBUN 4 Jan/ .....	5
Minister Promises Aid in Mexican Currency Crisis /KYODO/ .....	5
'Myth' of Superregionalism in Trade Discussed /NIHON KEIZAI SHIMBUN 27 Nov/ .....	6
* ODA Management, Bid-Rigging Criticized /KANKAI Dec/ .....	7
Official: Deregulation To Progress 'Continuously' /KYODO/ .....	11
SDPJ 'Rebels' Decide To Form New Splinter Party /KYODO/ .....	11
* Political Veterans Discuss Future of Politics /SEIRON Dec/ .....	12
* Fate of New Democratic League, Ozawa Examined /SEKAI Dec/ .....	20

##### North Korea

'World' Supports Pulling Down 'Concrete Wall' /KCNA/ .....	21
'Treacherous Nature' of Globalization Decried /KCNA/ .....	21
Overseas Groups Demand Repatriation of 'POW's' /KCNA/ .....	22
ROK Students Encouraged To Achieve Independence /KCNA/ .....	22
Former 'Comfort Women' in Korea Seek Reparations /KCNA/ .....	23
Tourism Agreement Reached With Japan on Festival /KCNA/ .....	23
Korean People's Struggle Book Published in Italy /KCNA/ .....	24
Chon Yon-ok Attends Sudan Independence Meeting /KCNA/ .....	24
Support for New Year's Joint Editorial Expressed .....	24
Vice President Kim Pyong-sik /KCNA/ .....	24
Chondoist Chongu Party Chair /KCNA/ .....	25
Guyanese Movement Sends Floral Basket to Kim Chong-il /KCNA/ .....	25
Kim Chong-il Hailed as Great Commander of Army /KCNA/ .....	25
Talk Stresses People's Faith in Kim Chong-il /Pyongyang Radio/ .....	26
Workers Urged To Follow 'Socialist Emulations' /KCNA/ .....	28
Choe Kwang Addresses Soldiers Rally on 4 Jan /KCNA/ .....	28
Kanggye Station Increases Electricity Production /Pyongyang Radio/ .....	28

##### South Korea

Seoul To Use Team Spirit as 'Bargaining Chip' /CHOSON ILBO 6 Jan/ .....	28
U.S.-DPRK 'Unprincipled Channels' Criticized /SEOUL SINMUN 6 Jan/ .....	29
U.S. Ambassador's Remarks on Kim Chong-il Cited /YONHAP/ .....	29
Honam Official on Oil Delivery to DPRK Plan /YONHAP/ .....	29
Japanese, DPRK Diplomats Said Negotiating Ties /Seoul Radio/ .....	30

'Drastically' Decreased North Arms Exports Noted	<i>[THE KOREA TIMES 6 Jan]</i>	30
* Kim Chong-il's Ruling Style Analyzed	<i>[NAEWOE TONGSIN 21 Jul]</i>	30
* Reasons for DPRK Agitation Rallies Analyzed	<i>[NAEWOE TONGSIN 12 May]</i>	31
President Kim Gives New Year Policy Statement	<i>[Seoul TV]</i>	33
Holds New Year News Conference	<i>[Seoul TV]</i>	36
DLP, DP React to News Conference	<i>[YONHAP]</i>	40
Nuclear Energy Technology 'Bound for' Turkey	<i>[YONHAP]</i>	40
Prospects 'Bright' for UN Security Council Seat	<i>[YONHAP]</i>	40
Increase in Number of Trading Companies Reported	<i>[YONHAP]</i>	40
Ministry Reports Increase in Foreign Investment	<i>[YONHAP]</i>	41
Foreign-Funded Firms Doing 'Better' Than Domestic	<i>[THE KOREA HERALD 6 Jan]</i>	41
Stock Market Said Suffering 'Near Crash'	<i>[YONHAP]</i>	42
Minister Suggests Second Government Restructuring	<i>[YONHAP]</i>	42
* Journal, Korea Research Conduct Special Survey		43
* Return of Two Kims' Rivalry	<i>[SISA JOURNAL 27 Oct]</i>	43
* Poll Result Analyzed	<i>[SISA JOURNAL 27 Oct]</i>	47
Government Plans Real-Name Real Estate System	<i>[YONHAP]</i>	49
Impact on Business Dealings Noted	<i>[YONHAP]</i>	49
* Proposed Revision of Consumption Tax Viewed	<i>[HANGUK KYONGJE SINMUN 10 Sep]</i>	49
* Ministries' 'War of Words'		49
* Strange Undercurrent Between Ministries	<i>[HANGUK KYONGJE SINMUN 10 Sep]</i>	50
* Nonpayment of SMB's Debts Reportedly on Rise	<i>[SILMUL KYONGJE 14 Sep]</i>	51

**SOUTHEAST ASIA****Brunei, Malaysia & Singapore****Malaysia**

* Minister Seeks More Technology Transfer	<i>[UTUSAN MALAYSIA 9 Nov]</i>	53
* MP Urges Increase in Defense Budget	<i>[UTUSAN MALAYSIA 16 Nov]</i>	53
* Daim Not Leaving UMNO Treasurer Position	<i>[UTUSAN MALAYSIA 10 Nov]</i>	54
* UMNO Membership Surpasses Two Million	<i>[UTUSAN MALAYSIA 16 Nov]</i>	54

**Singapore**

Thai Foreign Minister Departs for Jakarta	<i>[BANGKOK POST 6 Jan]</i>	55
---	-----------------------------	----

**Cambodia**

Malaysia Invests \$1 Billion in Development	<i>[REAKSMEI KAMPUCHEA 5 Jan]</i>	55
Khmer Rouge Radio Comments on Troop Defections	<i>[Radio PGNUNS]</i>	56
KR Radio on Military Situation in Preah Vihear	<i>[Radio PGNUNS]</i>	56

**Indonesia**

Suharto Unveils Draft State Budget	<i>5 Jan [Jakarta TV]</i>	57
Editorial Views Draft State Budget, Development	<i>[SUARA PEMBARUAN 5 Jan]</i>	62
* Implications of APEC for Smaller Businesses	<i>[SUARA KARYA 11 Nov]</i>	63
* Central Bank Governor on 1994 Economic Growth	<i>[BISNIS INDONESIA 19 Nov]</i>	64
Military Chief Confirms Probe of PDI Members	<i>[Jakarta Radio]</i>	65

**Philippines**

* Extradition Agreement Signed With U.S.	<i>[BALITA 15 Nov]</i>	65
Ramos Reviews Economic Gains in Year-End Speech	<i>[Quezon City TV]</i>	65
Military: Insurgency No Longer Major Threat	<i>[MANILA BULLETIN 26 Dec]</i>	70
Communist Spokesman Discusses Peace Process	<i>[PHILIPPINE DAILY INQUIRER 26 Dec]</i>	71
CPP Claims Main Role in Reviving Communism	<i>[PHILIPPINE DAILY INQUIRER 26 Dec]</i>	72
* Armed Forces Chief Reports Killing by MILF	<i>[BALITA 15 Nov]</i>	73
* Rumors Predict Estrada Versus Lim in 1998 Elections	<i>[BALITA 18 Nov]</i>	73
* Paper Reports on Goals of Science Conference	<i>[BALITA 14 Nov]</i>	73

**Thailand**

Parliament Passes Constitution Amendment Bill <i>[THE NATION 5 Jan]</i> .....	74
Editorial Cites Dissatisfaction <i>[PRACHACHAT THURAKIT 4 Jan]</i> .....	74
Editorial Urges Foreign Minister To Resign <i>[THE NATION 6 Jan]</i> .....	75
Petroleum Output Totals 85 Million Barrels <i>[BANGKOK POST 3 Jan]</i> .....	76
'Huge' Oil Reserves Found in Gulf of Thailand <i>[THE NATION 5 Jan]</i> .....	76

**Vietnam**

Eight Teams With U.S. Begin 33d MIA Search <i>[Hanoi International]</i> .....	77
Party Secretary Receives Italian Ambassador <i>[VNA]</i> .....	77
Defense Minister, Delegation Leave for Laos <i>[VNA]</i> .....	77
Vo Van Kiet Receives Buddhist Church Official <i>[Hanoi Radio]</i> .....	77
Further on Vo Van Kiet Meeting <i>[Hanoi International]</i> .....	77
Prime Minister Sets Quotas for Imports, Exports <i>[NHAN DAN 15 Dec]</i> .....	77
Assembly Standing Committee Meets 27-31 Dec <i>[VNA]</i> .....	78
Thrift, Anticorruption Measures Issued <i>[Hanoi Radio]</i> .....	78
NHAN DAN Calls For Greater Achievements in 1995 <i>[Hanoi Radio]</i> .....	79
Oil, Gas Exploitation in 1994 Reviewed <i>[Hanoi International]</i> .....	79
Army Reviews 1994 Party Organization Task <i>[QUAN DOI NHAN DAN 16 Dec]</i> .....	80
* General on Party Building at Officers Schools <i>[TAP CHI QUOC PHONG TOAN DAN Nov]</i> ....	81
* Defense Industry Moving Toward Modernization <i>[TAP CHI QUOC PHONG TOAN DAN Nov]</i> .....	84

## Reportage on ASEAN Regional Forum Meeting

### Security Situation Discussed

BK0601092895 Bangkok *THE NATION* in English  
6 Jan 95 p A5

[FBIS Transcribed Text] Asean countries have agreed that the general security environment has improved in Southeast Asia, but the situation in Burma and the overlapping territorial claims in the Spratly Islands continue to be "potential hot spots" in the region. They also agreed that countries in the region have attempted to improve the overall security scenario and seek measures to maintain regional peace and stability.

Sarot Chawanawirat, deputy permanent secretary of the Thai Foreign Ministry, said yesterday that forums exist for countries in Southeast Asia to discuss and exchange views on regional issues and problems. He identified the Asean Regional Forum (ARF) which was established last July in Bangkok and the Asia-Pacific Economic Cooperation (Apec) as the two existing bodies for Asean to deal with regional political, security and economic affairs.

Sarot, who attended the ongoing senior-level informal ARF meeting, said Asean countries agreed that the general security situation in the region "has been good".

"No country has posed a real threat to the others and there prevailed a general balance of interest," he said. The 18-member ARF, he added, was established as a forum to promote a better security environment and not as a conflict-resolution mechanism.

Several participants and authorities at yesterday's meeting said senior Asean security officers discussed and exchanged opinions as well as identifying several regional hot spots, which included the tension created by the nuclear issue on the Korean peninsula; the South China Sea conflicts, particularly the territorial disputes over the Spratlys; Cambodia and Burma.

They noted that the declining tension on the Korean peninsula was the result of a softening of the US stance towards North Korea.

Meeting participants also considered it necessary for foreign countries to strengthen the Cambodian government vis-a-vis the Khmer Rouge through economic assistance and investments in Cambodia.

In separate interviews, some officials said that several Asean countries have expressed concern over China's growing influence in Southeast Asia, especially in Burma.

The officials declined to name other countries, but said they were the states which had experienced political and security threats from China.

Although Beijing has tried in recent years to strengthen its relations and cooperation with Asean countries, and repeatedly pledged a non-aggressive policy, its presence

and military influence in Burma and its military buildup in the South China Sea have caused countries in the region to be suspicious, according to several officials.

One official, who asked not to be named said the conventional military threat has already been transformed into "comprehensive security," covering possible threats from political, economic and social aspects.

Asean countries agreed Burma remained a "potential hot spot" in spite of "a political improvement on the surface," said several officials. They also agreed that the overall political situation in Burma "has not worsened as projected by the West".

The officials said Asean agreed that its policy of "constructive engagement" with Burma "has not yet won over major Western vocal critics (nations)" but has made them "take a pause to ponder and wait for the results of Asean policy".

### ASEAN To Watch Koreas, PRC 'Closely'

BK0601101595 Bangkok *BANGKOK POST* in English  
6 Jan 95 p 2

[FBIS Transcribed Text] The Association of Southeast Asian Nations will keep a close watch on the situation on the Korean peninsula as the United States has softened its stance over North Korea sources said yesterday.

The issue was raised by Foreign Permanent Secretary Pracha Khunakasem at the special meeting of senior ASEAN officials which included representatives from the Defence Ministry, the sources in the meeting told the BANGKOK POST yesterday.

Concern over the Korean peninsula broke ASEAN's traditional practices because it was the first time the grouping expressed concern beyond its immediate interests in Southeast Asia.

Situations on the peninsula change as Washington has softened its position toward North Korea since Pyongyang agreed to halt its nuclear programme.

The US administration is to supply 50,000 tonnes of oil to North Korea this month in exchange for Pyongyang's pledged to convert its nuclear programme for peaceful purposes with less potential for building arms.

ASEAN has to monitor the situation closely as North Korea has expressed interest in joining the ASEAN Regional Forum, one source explained.

China is another country that ASEAN has agreed to look at closely, the sources said.

ASEAN is concerned about the role of China in the future as Beijing is likely to emerge as the biggest economic power by 2015, according to the sources.

China is concentrating on its long-range military buildup which would possibly affect stability in the South China Sea, the sources said.

"ASEAN has to keep a close watch on China's move because it has a problem with some ASEAN countries," one source said, apparently referring to the dispute over the Spratly Islands.

China is one of the six countries which claim all or part of the island chain which is believed to be rich in oil and gas. Brunei, Vietnam, Malaysia and the Philippines are among the claimants.

However, China had assured Brunei that it maintains support for ASEAN to be the core group of the ARF, the sources added.

Burma and Cambodia were among issues raised at the meeting.

The grouping mentioned the close ties between China and Burma but member countries had different views and reactions, the sources said.

Chinese Prime Minister Li Peng visited Burma during December 26-28.

#### **Agenda for Next ARF Meeting Discussed**

*BK0601100995 Bangkok THE NATION in English 6 Jan 95 p A5*

[FBIS Transcribed Text] Senior Asean officials yesterday agreed to ask the next meeting of ministers from Asean Regional Forum (ARF) member states to identify security-cooperation measures which can be implemented immediately and begin the process of studying more complicated proposals.

They agreed that proposals for cooperation on security matters should be divided into those which can be easily implemented—"Track One" measures—and those which will require further study.

Officials from the foreign affairs and defence ministries of the six Asean countries have their final meeting in Bangkok today to adopt reports prepared after a two-day seminar held to find common ground on security-cooperation measures proposed as part of the ARF.

They are expected to ask the second ARF ministerial meeting in Brunei this July to identify security measures that can be immediately implemented.

Sarot Chawanawirat, deputy permanent secretary at the Foreign Ministry, said Track One will include measures already in operation under existing bilateral agreements such as the exchange of military observers between ARF members and joint military manoeuvres. He said more complicated measures which will need more time to implement—the so-called Track Two—include the setting up of a centre to train a regional peacekeeping force, the establishment of a regional armaments registry and more cooperation between the navies of ARF member states.

Other measures proposed by the Asean Task Force on ARF at yesterday's meeting included strategies for confidence building, preventative diplomacy and conflict management.

These were previously suggested by academics from Canada, Australia and South Korea who attended the first ARF meeting held in Bangkok last July.

Delegates at the two-day seminar, which was chaired by Brunei—currently chairman of the Asean Standing Committee—agreed that the ARF should act as a forum where members can raise problematic issues in an effort to prevent disagreements erupting into regional conflicts.

Officials agreed that ARF should not be used to resolve problems once conflicts have broken out.

#### **\* EAGA Convention Resolutions Described**

*95SE0050B Jakarta BISNIS INDONESIA in Indonesian 21 Nov 94 p 1*

[FBIS Translated Text] Davao, Philippines (BISNIS)—The First East ASEAN Business Convention passed eight resolutions for discussion in the second meeting of senior BIMP-EAGA [Brunei Darussalam, Indonesia, Malaysia, and the Philippines—East ASEAN Growth Area] officials, to be held at Manado at the end of this month.

These resolutions are the results of the work of about 1,000 businessmen from 12 areas of the BIMP-EAGA, which held the convention from 17 to 19 November at the Central Bank Convention Hall, Davao, Southern Philippines.

The objective of the resolutions of the convention ("The First ASEAN Business Convention and Exhibits," or EABCE), which were presented Saturday [19 November] at the closing of all EABCE activities, including exhibits held since 15 November, was to speed up development of the BIMP-EAGA.

"Through these resolutions, we wish to provide input to the governments of each BIMP-EAGA country on harmonizing policies to speed up development of the EAGA," Raymundo R. Segura, chairman of Philippine Export XI—sponsor of the First EABCE—told the press, as reported from Davao by BISNIS correspondent Indra Sutha.

These resolutions have broad scope and, if approved at the BIMP-EAGA Senior Officials Meeting (SOM) at Manado at the end of the month, are expected to be examples for the future development of AFTA [ASEAN Free Trade Area]. The eight resolutions are as follows:

- Formation of a BIMP-EAGA Business Council. The respective representatives will determine the council's functions, roles, management, and organizational

structure. The council will be nonprofit, and consultation will be held with each government about its formation.

**Expansion of cooperation in tourism development.** This plan requires government support in, among other things, review and harmonization of tourism policies (such as border-crossing procedures and increased intraregional flow of tourists), fiscal exemption or relief for intraregional tourist travel, and aid in identifying tourism products and facilities for tourism cooperation packages.

**Public promotion of fishery sector development** through setting up a regional fishery information network, encouraging bilateral and multilateral cooperation for establishment of joint ventures, raising other support infrastructures and facilities to international standards, and urging governments to study possible creation of free trade in the EAGA fishery sector.

**Improvement of human resources** through the following: use of regional expertise certificates and standards as a mechanism for guaranteeing quality of work, establishment of job training centers in each EAGA area, and exchanges of expert personnel and training facilities among the EAGA member areas.

**Expansion of maritime and shipping ties** through such things as harmonization of tariffs and port fees, publication of maritime guidebooks, and establishment of joint maritime education and training centers.

**Expansion of air connections** through such things as formation of a task unit to study immediate introduction

of evenly distributed air services, improvement of data on airport facilities and infrastructures, and possible harmonization of flight costs in the BIMP-EAGA region.

**Optimization of responsible use of natural resources** through such things as promotion of ecotourism, joint inspections of cross-border timber trade, and cooperation in the conservation of forests and other natural resources.

**Speeding up population mobility** in growth areas through creation of travel procedures for leaving and entering each country for work without having to register and exemption of workers from fees for the sake of speedier practice of their professions in the EAGA.

According to Rizalino Navarro, secretary of the Philippine Department of Trade and Industry, if the 46 points in the eight resolutions are approved by the Second SOM of BIMP-EAGA, it will be easier to bring to realization the desire to make this growth area an example for AFTA. ASEAN has proclaimed free trade among its members by 2003.

"Even if not all are approved, even a few will greatly support this pilot project," he said as he officially closed the First EABCE.

J.W.T. Lengkey, chairman of the North Sulawesi Regional Chamber of Commerce and Industry, and Philippine Assistant President Paul G. Dominguez acknowledged that there is no official schedule for making the EAGA a free trade area. "In January 1995, however, the World Bank will conduct a study on making the growth area a free trade area in East ASEAN."

## Japan

### Murayama Wants 'Constructive Talks' With Clinton

*OW0601101795 Tokyo NIIION KEIZAI SHIMBUN in Japanese 6 Jan 95 Morning Edition p 2*

[FBIS Translated Text] Prime Minister Tomiichi Murayama attended a New Year party held by four major economic organizations in a Tokyo hotel on 5 January. In his speech given at this party, he commented on the Japan-U.S. summit to be held in Washington on 11 January and showed his intention to construct new cooperative relations between the two nations by taking a broader view toward the 21st century. The prime minister said: "As we entered the year that marks the 50th anniversary of the end of World War II, I now hope to have talks with President Clinton in a constructive and non-biased manner so that we could make a fresh start to further develop bilateral relations for the upcoming era."

Regarding the government's handling of the so-called industrial hollowing out, Murayama said: "All the cabinet members will stand together to work for economic reform." In this way, he indicated his determination to make utmost efforts to achieve structural reform in the domestic industry as well as the economy.

### Security, Asia To Top Agenda

*OW0601060995 Tokyo KYODO in English 0558 GMT 6 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 6 KYODO—The handling of Japan-U.S. security arrangements in the post-Cold War era and policies in the Asia-Pacific region will top Prime Minister Tomiichi Murayama's agenda in a summit with U.S. President Bill Clinton in Washington on next Wednesday [11 January], government officials said Friday.

Murayama will also emphasize the importance of strong bilateral relations as the world marks the 50th anniversary this year of the end of World War II, they said.

He will also broach matters relating to the Asia-Pacific Economic Cooperation (APEC) forum, which will hold its informal summit in Osaka this year.

The agenda was set in a meeting with Foreign Minister Yohei Kono and Finance Minister Masayoshi Takemura at the premier's official residence.

Takemura told reporters after the meeting that he will deliver a letter from Murayama to Chinese Premier Li Peng during a visit to Beijing starting Monday.

### Washington, Tokyo, Seoul To Discuss DPRK Proposal

*OW0501141695 Tokyo NIIION KEIZAI SHIMBUN in Japanese 5 Jan 95 Morning Edition 5 Jan*

[FBIS Translated Text] The coordination of the plan among nations concerned for establishing the Korea

Energy Development Organization (KEDO, tentative name), an international consortium to provide assistance for North Korea's shift to light-water reactors, is entering its final phase. The three nations of Japan, the United States and South Korea will hold an expert meeting in Washington on 9 January to discuss establishing the KEDO in February. In the past consultations, the three nations have reached an agreement that: 1) they will set up a supreme decision-making body in addition to a secretariat at the New York headquarters of the KEDO; 2) they will use private banking institutions to handle financial matters; and 3) the KEDO will place an order to enterprises and international organizations for specific projects. The three nations will hold a meeting of bureau-chief-ranking officials at the end of January to work out a final draft agreement. The expert meeting to be held in January will hold a businesslike discussion of the details of a contract that the KEDO will conclude with North Korea, and the expert meeting will be attended by division-chief-ranking officials from the three nations. The three nations will decide on the establishment of the KEDO at a bureau-chief-ranking meeting to be held at the end of January after examining the results of the expert meeting. The three nations plan to call on European nations, Russia, China, and Russia to participate in the KEDO.

The KEDO headquarters, to be based in New York, will be staffed by a chief and several deputy chiefs of secretariat. The three nations intend to establish the headquarters as a small organization (according to a senior Foreign Ministry official). It seems likely that the United States will send an official to serve as chief of secretariat, whereas both Japan and South Korean officials will serve as deputy chiefs of secretariat.

On the issue of the burden-sharing of funds, which has become a focal point, Japan has maintained that "no decision can be made on the funds unless the scope of the project is determined." South Korea is expected to play a key role in raising the funds for the time being with a political guarantee from both Japan and the United States that "they will each bear an appropriate burden" and help South Korea raise the funds. At the present stage, the funds are estimated at more than \$4 billion, but they will be added with the cost of dismantling North Korea's graphite-moderated reactor. With North Korea refusing to adopt South Korean models, the three nations intend to make a final decision on the sharing of the funds after they establish the KEDO and conduct a fact-finding survey in North Korea.

The three nations plan to ask China to cooperate in transporting and dealing with fuel rods that are now stored in North Korea, and Russia to share the role in dismantling the graphite-moderated reactors in North Korea.

### Official Says Kozyrev Visit in Jan 'Unlikely'

*OW0501114995 Tokyo KYODO in English 1122 GMT 5 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 5 KYODO—Russian Foreign Minister Andrey Kozyrev appears

unlikely to visit Japan this month as scheduled due to Russia's domestic problems, a top Foreign Ministry official indicated Thursday [5 January].

The official, speaking on condition of anonymity, cited the armed conflict in Chechnya as one of the reasons for the difficulty for Kozyrev to visit Japan. Japan and Russia agreed last year on Kozyrev's January visit but the Russian side has yet to confirm whether the foreign minister is coming to Japan as scheduled, he said.

The official said Japan had hoped to boost bilateral relations with Kozyrev's visit, after Russian First Deputy Prime Minister Oleg Soskovets visited Japan in November and the two countries held working-level meetings on concluding a peace treaty. If Kozyrev cannot come to Japan, Tokyo will have to change its strategy, he said.

The official said, however, that Japan does not plan to send Foreign Minister Yohei Kono to Moscow instead.

#### DA To Forge Security Ties With Russia, PRC, ROK

OW'0501144595 Tokyo TOKYO SHIMBUN in Japanese 4 Jan 95 Morning Edition p 1

[FBIS Translated Text] The Defense Agency [DA] plans to aggressively build relations of trust and hold a security dialogue with such neighboring nations as Russia, China, and South Korea in a bid to keep Japan and the Asia-Pacific region peaceful and stable in the post-Cold War era. The DA aims to strengthen the stability of the Asia-Pacific region by breaking away from Japan's total dependence on the United States for its security and by building multilateral relations of trust with those nations. The DA will create the new post of councillor, which will be filled by an expert on arms control, and set up a planning office. The DA also will start a full reassessment of its organization.

In explaining why Japan needs to give priority to holding a dialogue on security with those neighboring nations, Toshimasa Fujihara, chief of the Joint Staff Council's 5th Office, said: "It was good for Japan to work to strengthen security ties only with the United States during the Cold War era. With the collapse of the East-West bloc system, however, the need has grown for Japan to strengthen relations of trust with its neighbors to increase the stability of the region and to maintain peace in Japan while maintaining relations of alliance with the United States."

The problem of how to make Russia and China disclose their military strength remains to be resolved. The defense white paper points out that "Russian forces in the Far East are an unstable factor in the Asia-Pacific region." In past meetings of the Japanese-Russian panel of defense researchers, Japan has asked Russia to disclose details on Moscow's forces in the Far East.

Last November, Defense Bureau chief Naoaki Muraya visited Russia for talks with Russian defense officials. He and Russian defense officials agreed to upgrade the level of the exchange of visits by defense officials of the two countries to the cabinet level and to vigorously promote cabinet-level exchanges. This spring, DA Director General Tokuichiro Tamazawa will make his first visit to Russia.

On security relations with China, (then) DA Director General Kurihara visited China in 1987. Exchanges of visits by the two countries' defense officials had remained suspended since the Tiananmen incident but resumed last spring. The DA has invited Chinese Defense Minister Chi Haotian to visit Japan, and it plans to ask the Chinese defense minister and other Chinese defense officials to disclose China's plans for a military buildup.

Last April, ROK Defense Minister Yi Pyong-tae visited Japan. He was the first South Korean defense minister to visit Japan. Japanese defense officials and the ROK defense minister agreed to hold a dialogue on the two countries' security policies and to promote the exchange of military personnel. In December, a training fleet of the South Korean Navy made its first port call at Japan, thus improving the climate in the two countries for a military exchange.

In response to these developments, the DA will create the post of councillor and set up a planning office in the Defense Policy Division charged with "promoting relations of trust with Japan's Asian neighbors and arms control." Up to now, the work of promoting relations with Japan's Asian neighbors has been carried out by various DA bureaus and military personnel. Now, however, that work will be carried out exclusively by the division. The DA will begin to carry out a specific examination of how to reorganize itself. It is now considering creating a defense policy bureau charged with the work of handling defense policy and security dialogues, and an "operational bureau" charged with the work of handling Japan's participation in UN peacekeeping operations (PKO).

#### Minister Promises Aid in Mexican Currency Crisis

OW'0601031795 Tokyo KYODO in English 0301 GMT 6 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 6 KYODO—Japan will make "substantial commitments" together with the United States to help resolve the Mexican currency crisis, Finance Minister Masayoshi Takemura said Friday [6 January].

The Mexican crisis has become the "greatest concern" in the U.S. and "requires international cooperation." Japan, therefore, "will consult with the U.S. to extend substantial commitments," Takemura told reporters after a morning cabinet meeting.

He noted that major nations should discuss the issue, but denied that any proposal has been made by a member of the Group of Seven (G-7) countries to hold a meeting of finance ministers and central bankers, in a reference to a reported French proposal to hold the G-7 meeting in Canada.

However, Takemura suggested that G-7 ministers and central bankers are likely to meet in February, as in past years.

"The G-7 meeting was held around this time, and I've heard of calls for such a meeting this year," he said.

Mexico is suffering from an unabated nosedive of the peso amid growing inflationary fears.

Turning to his seven-day trip to China, Singapore and Malaysia from Monday, Takemura said he plans to meet with his counterparts of those countries and other government leaders to exchange views particularly on the Asia-Pacific Economic Cooperation (APEC) forum.

With Japan hosting the next meeting in Osaka in November, Takemura said, "it's important to initiate talks for early preparation."

Asked about China and Malaysia hesitating over free trade proposed at the previous APEC meeting in Indonesia, Takemura refused to comment directly, saying the two nations "are not cautious about the APEC forum itself."

The free trade proposal was broadly endorsed at the Indonesia session in November, but concrete arrangements were left unsolved for Japan to tackle as the next host nation.

#### **'Myth' of Superregionalism in Trade Discussed**

952A0219A Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Nov 94 p 11

[Article by editorial staff writer Naoaki Okabe: "Japan's Leadership for Multinationalism Wanted"]

[FBIS Translated Text] You cannot always say the more the better. Each thing has its proper scale.

If director Sidney Lumet's *Twelve Angry Men* had been a story about a jury of 18 people, the personality of each individual could not have been drawn out, and it would have been difficult to focus on the humanity of Henry Fonda, who alone insisted on innocence. If soccer were not a game of 11 people but of 20 people, it would only be a free-for-all and it is doubtful that soccer would have become an international sport.

If things become too big, the substance will be diffused. The identity and foundation of the group cannot be preserved. One example of this is the recent expansion of regionalism which seems to divide the world map in half.

In the European Union (EU), countries such as Sweden will be joining the current 12 nations, and countries from

the old Eastern Europe will also be participating. THE ECONOMIST magazine of England writes about the EU, which is expanding from the Mediterranean Sea to the Arctic Ocean, and from the Atlantic Ocean to the Black Sea, that "if the tension which the expansion brings is not resolved, the dream will sour." The desire for expansion has been the basic spirit of the European Community (EC) since its foundation, but expansion and centripetal force are incompatible with each other. The multistage integration theory which brought the feet out from German Chancellor Kohl, who has been leading the integration of Europe, is a sign of the EU becoming too big.

Having Germany, France, and the three Benelux nations integrated first seems realistic, but it incited Italy and England, which were left out. Also, among the German people, there is criticism that "the dictatorial method of ordering us to follow the advance party is a problem (an executive of the Green Party's regional organization)."

However, it does not seem that the planned currency unification will be accomplished during this century if things are left as is. Even within the German Federal Bank, which is supposed to become the core, there is deep-rooted thinking about the ECU (European Currency Unit), which is to become the common currency, along the lines that, "after all, it is only a dog chained to its owner, and it can move only within the limits of the chain."

If the EU further expands its border, then the centripetal force will be weakened. If integration is rushed, the division of Europe cannot be avoided. The EU is facing a dilemma between deepening and expanding.

A cold outlook has started to be heard even in the Asia Pacific Economic Cooperation (APEC) conference, which symbolizes the economic development of Asia. Although the target of liberalizing trade by 2020 was hoisted, there are also those who say that, at a time when the tempo of history is speeding up, setting a target a quarter of a century into the future is the same as deciding nothing.

Mahathir, the prime minister of Malaysia, who dislikes the United States, opposes the setting of a target under U.S. leadership, but even if this were not the case, structural economic differences between the United States and Japan and the nations of Asia will obstruct the institutionalization of APEC.

Stanford University professor Paul Krugman points out in his essay in FOREIGN AFFAIRS magazine, "The Myth of the Asian Miracle," that it is questionable if East Asia, which like the former Soviet Union grew rapidly through injection of capital and labor more than through improvements in efficiency, can continue higher growth in the future. People such as Ms. Paula Stern, former chairman of the U.S. International Trade Commission, stated in the same magazine that a "Pacific community" in trade and investment cannot be formed along the Pacific coast.

Antonio Borjas, president of INSEAD, a European graduate school of management, stresses the difference, saying, "unlike APEC, the EU is not simply a place for expressing intentions. It is a stable institutional framework."

More than anything, the difference between the EU and APEC is their cultural centripetal force. One reason that Greece was invited to the EU early is because it was the birthplace of European civilization. Even if the EU expands to the old Eastern Europe, the cultural homogeneity would not be changed, but APEC is distinguished for its diversity. And this diversity must be respected.

APEC cannot become the EU, but there is a possibility for this "open regionalism" to be expanded. There is even the view that the horizon will extend to Central and South America and to India and even Russia.

Japan does not have a vision for how to deal with a regionalism which is becoming enormous. It is important to have a vision for the Asia Pacific era, but this does not mean lending a hand to the institutionalization of APEC. Rather, Japan's role is to pull the stream of regionalism, which is spreading all over the world, back to multinationalism. It is especially time to use its wits on the management of the World Trade Organization (WTO).

Artificial lines on the world map drawn by hands of the government seem faded in front of the free and many-sided mutual dependence of international enterprises. Just as money and enterprises crossed national boundaries, the rapid stream of the global economy should overcome even the myth of "superregionalism."

\* ODA Management, Bid-Rigging Criticized  
952B0065A Tokyo KANKAI in Japanese Dec 94 pp  
182-189

[Article by KANKAI editorial staff: "ODA's Shabby Management"]

[FBIS Translated Text] The Fair Trade Commission [FTC] performed on-the-spot investigations of 30-odd leading trading companies suspected to be in violation of Antimonopoly Law Section 3 (wrongful trade restrictions) concerning materials procurement bidding for Official Development Assistance (ODA). Japan's ODA has been top in the world for the three consecutive years since 1991 and totaled as much as approximately 1.12 trillion yen (\$11.259 billion) in 1993, but its administration system is shabby and bid-rigging and tied aid abuses of firms were being pointed out. These recent on-the-spot investigations have accentuated the ODA's bid-rigging constitution and a drastic revision of the ODA administration system is being called for.

#### Materials Bid-Rigging Only Tip of Iceberg

The recent on-the-spot investigation centered on 30-odd mainly leading trading companies such as Marubeni,

Mitsubishi Corporation, Itochu, and others. The FTC initiated its inquiry on the suspicion of bid-rigging related to materials procurement in the area of technical cooperation.

Broadly classified, ODA is multilateral assistance that is dispensed as bilateral assistance and to international agencies, such as the World Bank, etc. More than 70 percent in the case of Japan is bilateral aid which is divided between free financial cooperation donations and funding cooperation (yen loans) for which there is a repayment obligation. Even in the case of donations, there are "free fund cooperation performed mainly by the Foreign Ministry and "technical cooperation" such as the Overseas Young People's Cooperation Corps, etc., that are promoted by the Japan International Cooperation Agency (JICA). There are numerous projects, such as for medical care, insurance and education, industries related to agriculture, forestry and fisheries, environmental improvement, telecommunications and transport, etc., and the necessary materials ultimately are furnished to partner nations. It was concerning price bid-rigging being carried out in the procurement of these materials that became the target of the FTC probe.

In bidding for procurement of machine parts, machine parts are diverse and the unit price is low. It is said that because the quantity procured is small, among other reasons, the designated competitive bidding method is used in which several manufacturers are selected from among businesses that have registered in advance, but it was pointed out that bid-rigging between interests concerned has occurred for some time past.

According to the FTC investigation, due to the fact that the materials bidding price was small at between several tens of millions of yen to 100-odd million yen at the most annually, trading companies established a "managing firm" by turns, and it is said that one company managed bidding for one year. Because for trading firms the amount of money was small, there is a strong suggestion that they resorted to bid-rigging because turning a profit would be difficult if they really competed while paying personnel expenses, administrative expenses, etc.

Nevertheless, the reason many trading companies are straining their nerves in this kind of materials procurement is that there are enormous projects from ODA that generate massive profits, so this recent bid-rigging suspicion is only the tip of the iceberg. It may be that the FTC's target is not merely materials procurement, but general contractor bid-rigging in massive projects.

Even though the major projects exceed 1.1 trillion yen, the number of people in charge of administering them, such as the Foreign Ministry, Japan International Cooperation Agency, Overseas Economic Cooperation Fund, etc., is just over 1,800 people. It is so bad that a Foreign Ministry staff member sighs, "The biggest anguish is the fact that the amount of money is too large. The first problem is how to use the money. The next thing we consider is how to use it well," indicating that they are

toiling to deal with the burgeoning amount of ODA and that circumstances hardly permit meticulousness in its allocation, etc.

In 1992 the government concluded the ODA charter on the method of proceeding with ODA. According to this, it mentions the following four points [as published] as the fundamental concepts: 1) humanitarian consideration, 2) awareness of the relationship of mutual reliance and environmental preservation, 3) assistance in self-help efforts toward the takeoff of developing nations. However, it is doubtful whether these concepts are really being made the most of with an irrational system in which the vital assistance system in which one person has to process nearly 1 billion yen.

Advanced assistance-providing nations, such as Europe and the United States, not only have much larger staffs than Japan, they also are able to conduct meticulous assistance by obtaining cooperation from numerous non-government assistance organizations (NGO's). The difference in the assistance systems has become one of the criticisms of Japan's ODA.

Although on the surface ODA is being handled collectively by 16 ministries and agencies, the behind-the-scenes budget struggles for that purpose between the different agencies and ministries are appalling. One can often hear backbiting. "The Foreign Ministry only wants to handle high-profile cases like Japanese residing abroad and receiving partner nation governments," says a person related to the Construction Ministry. "MITI specializes in money-making projects that favor the financial arena," says a person related to the Foreign Ministry, who also says, "The Construction Ministry harps on development like a mouthpiece of the construction industry."

Even so, with regard to these shortcomings of the aid system, it is a fact that the government is forced to rely on the massive amounts of information possessed by major trading companies and on the project determination process of consultants. That also ties in with the bid-rigging of the businesses concerned.

#### The History of Tied Aid

The series of procedures in determining what sort of assistance to administer is called the "project cycle." In the case of free fund cooperation, the order of proceeding first begins with project finding, in which the target of assistance is pinpointed, then there is the assistance request, basic design inquiry, assistance determination, exchange official document signing, bidding, and project implementation.

Wielding authority in the project finding part of the process are consulting firms and trading companies. Initial project finding should be carried out by the Japanese embassy and consul general in the target country, but because the staff of these diplomatic establishments abroad are engaged in other work, there is no

way they can devote themselves to this task. Therefore, consultants and trading companies who have information about the site end up sounding out the inclinations of the local government and drawing up the plan proposals.

Even if the local government wants to approach the Japanese Government on the project, conforming to Japan's government documentation system is a heavy chore. It is quicker to just rely on consultants. The consultants make approaches on several projects, and cases in which the relevant government expresses interest are firmed up. Meanwhile, they weigh the inclinations of the Japanese Government and carry on while carefully examining feasibility.

In countries where Japanese diplomatic establishments or JICA local offices are not present, or in nations in which project creation capability is lacking, project finding teams are occasionally dispatched from Japan. However, in most cases the actual members include people from consulting firms. Also, when important people in the Japanese government visit the foreign country, in many cases they grant the ODA, which is referred to as a "visitor's present," but even in most of these cases consultants and trading companies take active roles.

In its ODA white paper, the Foreign Ministry expresses pride that the history of Japan's assistance as of 1994 extends over a 40-year period.<sup>4</sup> This white paper says that there is a 40-year tradition of technical cooperation in Asian nations, since it joined the Colombo Plan which was established in 1954 with the aim of technical and economic cooperation among the British Commonwealth of Nations.

In the same year, Japan concluded a peace treaty with Burma and signed a compensation and economic cooperation agreement. From that beginning, the compensation agreement extended to various other nations of Asia, including the Philippines, Indonesia, Vietnam, etc., but its basis became infrastructure-building that would become the foundation of each nation's industrial advancement.

This type of compensation became a significant burden for postwar Japan, but it was unavoidable. Therefore, so that it would assist in the furtherance of Japan's economic situation, the construction of dams and roads, etc., was promoted in such a way that Japanese firms would receive orders. The position of Japanese firms was that, if they could receive contracts for ODA construction, work could be done with the guarantee of the government, so those jobs would have the biggest and safest profit.

For this reason, major trading companies and general contractors competed to create consulting firms and were busy scrambling to acquire projects. Because compensation assistance with these firms in mind was the

starting point, most of it was to become the tied aid style geared toward Japanese firms.

In contrast to this, the Asian countries receiving aid are constantly criticizing, saying, "Ultimately, Japan is using its own companies for nearly 80 percent of the ODA and Japanese companies seem to be the true ODA beneficiaries."

Therefore, feelings toward Japan are complex. There are even songs that have become popular that say things like "Did you know? Did you hear? Samurai Japan," "The yellow peril is a big deal. Brother, you had better be careful. The fearsome economic animal is trying to sell off Thailand. They have bought up the land, fields, beaches, and mountains—the whole peninsula," "Japanese... Samurai wearing yunpi (inverted) swords. Hey brothers, can you hold out with Thai swords and Thai kickboxing?"

#### The Government's Attitude About Infrastructure Preparation

Concerning this criticism of ODA by the people of each country, the government asserts that ODA became the motivating force in the economic development of East Asia. It says it built the foundation for development that startled the world—so much so that the World Bank published a report called the "East Asia Miracle."

According to the 1994 ODA white paper, the World Bank report lists the efforts of Asian nations themselves as the main reasons for the "East Asia Miracle," including, 1) securing political stability, 2) establishing an administrative structure and superior bureaucracy, 3) policy guidance based on a doctrine of development precedence by the government, 4) an appropriate macroeconomic policy, 5) emphasis on cultivation of education and human resources, etc., but stresses that the role played by Japan's assistance was also important as a motivating force for those achievements.

It lists the following as characteristics of Japan's assistance to Asia: 1) Approximately 60 percent of ODA was to Asia, and the majority of that was for economic infrastructure, which served to improve the investment environment and kindled the vitality of the private sector. 2) This assistance was provided with favorable timing in the areas adapted to furtherance of trade and the promotion of direct investment in the Asian nations. 3) Although the increase of agricultural production capacity made economic development of the East Asian nations possible, Japan used all forms of assistance configurations and has assisted on a large-scale. 4) Even concerning the development of human resources, which a fundamental element of the economic development of East Asia, Japan has aggressively cooperated in the cultivation of engineers, elevating the importance of people-building assistance beginning in the 1970's.

While it says a quantitative assessment of that is difficult, in the area of electric power, the yen loans that have

been used effectively in the improvement of the economic infrastructure prepared 15 percent of the total national electrical generation facility capacity of Indonesia, 16 percent of Thailand's equipment capacity, and 46 percent of Malaysia's. In the area of roads, 15 percent (56 kilometers) of Indonesia's toll roads and 48 percent (27 kilometers) of Thailand's Bangkok inner city highways were built, which it says became a motivating force in economic development.

The story behind that way of thinking is the idea that the reason that Japan was able to accomplish high economic growth after the Pacific War was that World Bank loans became a motivating force for creation of basic infrastructure, such as vital electric generating stations, iron works, Tokaido [Tokyo-Osaka] bullet trains, the Tomei [Tokyo-Nagoya] Expressway.

Be that as it may, even though this infrastructure assistance had advantages for administration at the time, there are many cases when it created substantial discontent among the residents. A typical example of this is the case of the construction of the Sardar Sarobar Dam on the Narmada River in western India in which the Foreign Ministry was forced to stop additional funding due to a campaign by TOKYO SHIMBUN quick-report department in 1990. The following is a brief investigation of this case.

This Sardar Sarobar Dam construction was planned as a part of the "Narmada River Basin Comprehensive Plan" to convert at a single stroke the western Indian region to a major industrial region. The comprehensive plan was an immense project that was to extend over 50 years and was a spectacular plan to construct 30 large-scale, 135 medium-scale, and more than 3,000 small-scale dams. Japan petitioned the World Bank for financing and it was approved.

Nonetheless, for the very reason that it was such a bighearted and magnificent plan, it also had the potential for epochal environmental destruction. Approximately 350,000 hectares of mountains and forests and 200,000 hectares of agricultural land would become submerged. One million people comprising several racial groups residing in the basin would be forced to vacate the area. Because of inadequate preparation of alternate land for those displaced residents and environmental protection measures, a fierce local opposition movement ensued.

According to local residents, even though it would have a significant benefit for the state government and a segment of entrepreneurs, the residents themselves would be run out of the land they had been living on, which was unacceptable. Moreover, due to dam construction, water would be accumulated by the dams, so that a myriad of difficulties would arise, such as the well water they had been using would become unusable, the amount of water for services and other things would drop, etc. This would lead people to complain about the advisability of this type of development in the first place.

On the occasion of this financing, because it was not going to be free assistance, Japan's Overseas Economic Cooperation Fund (OECF) was in charge. However, the advance investigation was nothing more than three staff members spending three days and two nights on site for observation. It was a total stance of "give them an inch and they will take a mile" to the World Bank. Watching the handling of the local region and the World Bank, in response to heightening criticism domestically and abroad, additional funding was discontinued on the grounds that the Indian Government's handling of the local residents was inadequate.

#### **Increasing Cleverness in Tied Aid**

The Foreign Ministry stresses the motivating force in the "East Asia Miracle" but cases are also noticeable in which economic advancement is frustrated not just because ODA is destructive to the environment, but because the aims of Japanese firms are pushed.

Compensation assistance for Burma, which could be called the model of Japan's compensatory assistance, was advanced based mainly on dam construction and four large industrialization projects. In the four large industrialization projects, enormous free funding was invested: 3.3 billion yen for a light vehicle factory, 2.5 billion yen for a heavy vehicle factory, 1.6 billion yen for a farm machinery manufacturing plant, and 3.1 billion yen for an electrical equipment manufacturing plant.

However, these projects could never become independent, and Japan subsequently tried to prop them up with 10-odd yen loans, beginning with the first yen loan of 1.08 billion yen in 1969. Grants as product loans to procure parts from Japan were made, but locally a condition was continuing in which they could never manufacture parts and had to import them from Japan in order to keep their production going.

What can one say about projects in which independence is still not possible after 35 years of grants of aid? Of course, a lot of the problem undoubtedly lies in Burma's readiness to receive, but if so much time passes and independence is still not possible, they will, conversely, only fall into a loan hell situation. Because of the industrialization projects, Burma became forced to rapidly expand its accumulated debt.

Meanwhile, firms that participated in the projects that used the assistance funds enjoyed the advantage of being able to secure parts exports. For this reason, because the Asian countries can only admit Japanese-made items when Japan's ODA is introduced, the contradiction arises that European and U.S. specification subcontractors become unable to subsist and the previously mentioned criticism of Japan intensifies.

With respect to criticism of tied aid by Europe and the United States and ODA recipient nations, the Japanese Government says it has increased untied aid in which procurement of goods is not limited to just Japan, and it

is making efforts to increase bidding as much as possible to international bidding. For this reason, in superficial general competitive bidding, they boast that "Japan is number one in the world in untied aid" (the Foreign Ministry), but the actual situation is different.

This is due to the fact that the tricks of businesses which have reaped the benefits of ODA for 40 years have become more ingenious. One thing one often hears is that "specs" (engineering specifications) that direct the projects as a whole are almost all according to JIS [Japanese Industrial Standards].

When one project is to be implemented, extensive technical design is carried out, and Japanese firms naturally have the advantage if the specifications are according to JIS standards. Since ODA projects must all be performed according to specifications, the mechanism dictates that, even though the bidding is competitive in form, there is little option but to use Japanese products. Because local firms cannot operate unless they use Japanese specifications, they say that even if they receive orders there is little advantage because their profit would be so meager.

Accompanying the increase in criticism of tied aid, they say that there is a rise in sophisticated tricks such that it is impossible to operate unless Japanese-made materials are used, although the name "Japan" is cleverly erased from the specs. In that way, they are desperately defending the interests of Japanese-made items.

Of course, each nation conducts foreign assistance while calmly calculating its individual national interest, and it is not the case that tied aid is all bad. However, in the case of Japan, there are many problems in that the greatest effort is being placed in transporting the domestic bid-rigging system overseas to receive orders.

Many Japanese firms say "Japanese products are more reliable and that is why they always end up being [in demand]. It is not high at all when one considers the future aspects," but the local businesses concerned point out that "only about half the funds in Japan's ODA projects are used for the projects themselves. The rest goes into the pockets of the high-ranking officials of the relevant countries and people in charge of development. That is the real problem." They say that Japan's general contractor bid-rigging structure is in full force even overseas.

Japan's ODA in 1989 surpassed the United States and Japan became the top donor of assistance in the world, and it is said to have begun to assume a higher level role in assistance to developing nations. This top ranking which continued for three consecutive years since 1991 is thought certain to extend to 1994 as well.

Nevertheless, the United Nations has set forth the appropriation of 0.7 percent of GNP to ODA, and internationally the ratio of ODA with respect to GNP has become a standard for measuring the international contribution of advanced industrialized nations. Even though Japan's

ODA is tops in the world in terms of face value, as a ratio of GNP it was 0.26 percent (Development Assistance Committee—DAC—averages 0.29 percent) in 1993.

The Foreign Ministry, in addition to the ODA-to-GNP ratio being influenced by the growth rate of GNP as a whole, is questioning the significance of a comparison with advanced industrialized assistance nations such as northern Europe because Japan's GNP is so large. However, because it is regarded as a global sharing of responsibility, Japan, whose large trade surplus is the target of international criticism, is destined to increase the amount as much as possible.

For this reason, since it is extremely likely that the ODA budget will expand on an annual basis, efforts must be made in the future at more efficient implementation.

#### Newly Establishing an Assistance Agency

As we have seen above, although the amount of Japan's ODA is the highest in the world, the system it possesses for implementation of that assistance is shabby. Moreover, because it began as a part of postwar compensation, the stance of firms participating for their interest's sake is pronounced and the bid-rigging system is firmly rooted.

Moreover, internationally, it is being asked to increase its total amount of ODA as its responsibility as an economic superpower. Also, its old position of harping on development is being pressed for revision from the standpoint of protecting the environment and residents, and as long as it does not give aid carefully, the hard-earned tax money of the nation might even have the reverse effect.

In order to enhance the quality of ODA, it is necessary to dramatically increase the number of assistance specialists because, with the current mode of operation that consists mainly of a portion of a Foreign Ministry Bureau and JICA, it will be utterly impossible to control the firms concerned.

For that reason, along with improving transparency by making the nature of policy determination more open, there should be a definite augmentation of assistance personnel. At present, when deregulation and administrative reform are being sought in administration, although at first glance an increase in personnel and newly establishing an assistance agency would appear to be going against that trend, more efficient use of the enormous sum of 1.1 trillion yen would be most in line with the spirit of reform.

Assistance behind closed doors as is the case right now is prone to cause improprieties and not only a system of implementation but a system of meticulous checks must be established simultaneously. As an international contribution that Japan can make, newly establishing an assistance agency could hardly be considered wasteful because it is the most important thing due to its economic might. Because it would clarify Japan's position

of putting its energy into assistance administration internationally as well, it should be implemented immediately without being bogged down by the immediate power struggles between ministries and agencies.

#### Official: Deregulation To Progress 'Continuously'

OW0601085595 Tokyo KYODO in English 0750 GMT  
6 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 6 KYODO—A senior advisor to the cabinet of Prime Minister Tomiichi Murayama vowed Friday [6 January] that a five-year deregulation plan designed to make the Japanese economy more open to foreign competition will be continuously evolved, government officials said.

Takeshi Fujii, director of the Cabinet Councillors' Office on Internal Affairs, told a meeting of government-picked panelists on deregulation affairs, "although it is an absolute requirement for us to work out the program by the end of March, that does not mean that other new deregulation measures will not be worked out in future."

"This will be a rolling plan," he was quoted by the officials as saying.

Fujii made the remarks at the first meeting of a panel acting under the jurisdiction of the government's deregulation promotion commission to expedite business competition and propose measures to create new fields of industry.

The officials said Fujii's opening statement was followed by active discussion, with some panelists recommending the scrapping of current rules regulating participation by fresh entrants into the telecommunications business, and ending of the current curb on the establishment of American-style holding companies.

Other panelists called for lifting restrictions which ban businesses from offering prizes to buyers of certain goods and services, they added.

#### SDPJ 'Rebels' Decide To Form New Splinter Party

OW0601101895 Tokyo KYODO in English 0851 GMT  
6 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 6 KYODO—A rebel group within the governing Social Democratic Party (SDP) decided Friday [6 January] to launch a fresh splinter party before the unified local elections in April, the group leader said.

At a general meeting of the New Democratic League (NDL), Sadao Yamahana, who heads the mutinous group, proposed setting up a preparatory panel for a new party Friday and holding its first meeting Monday.

He also proposed creating a new parliamentary group before the next regular Diet session set to open Jan. 20 and inaugurating a fresh party prior to a series of key local elections in April.

Yamahana's proposals eventually won approval at the NDL general meeting, albeit in the face of fierce opposition expressed by some members.

The NDL, established late last year, aims to marshall like-minded supporters to create a new focus in Japanese politics, in addition to the two existing big conservative forces—the Liberal Democratic Party (LDP), a major partner in the three-way coalition government, and the newly inaugurated opposition Shinshinto (New Frontier Party).

About 30 Diet members attended Friday's NDL meeting.

The move has posed a serious threat to the SDP's unity because a group of left-wing SDP legislators who are staunch supporters of Prime Minister and SDP Chairman Tomiichi Murayama oppose the NDL proposal for turning the SDP into a new "democratic" and "liberal" party.

Last June, Murayama became Japan's first socialist prime minister in nearly half a century.

The SDP leadership decided Thursday to hold extraordinary informal talks of the decision-making central executive committee on Tuesday in a bid to avert a party split resulting from possible mass defections centering on the NDL.

Commenting on the NDL's Friday decision, a close aide to the premier spoke of the need to prevent a party split and to strive together to turn the whole SDP into a new party.

"I think it is very regrettable," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

While saying the NDL and other SDP members differ only on the timing for launching a new party, Igarashi vowed further efforts to persuade the rebels to stay within the SDP.

He also said he will closely watch the outcome of the special central executive committee meeting set for Tuesday, adding that there should be a meeting between Murayama and Yamahana to discuss the future course of the SDP.

"The premier has been saying he is ready to meet Mr. Yamahana whenever he is asked to. I believe it would be quite appropriate for such a meeting to be set," Igarashi said.

Meanwhile, a key Liberal Democratic Party (LDP) policymaker blasted the NDL's [New Democratic League] secessionist move for endangering the stability of Prime Minister Murayama's coalition government in whose unity the LDP has a crucial stake.

Koichi Kato, chairman of the LDP's Policy Affairs Research Council, told a trade union meeting in Tokyo, "it undermines the national interest for them to take a

move that would endanger the standing of the prime minister on the eve (of a summit) when the United States will check the stability of Japanese politics."

Kato, speaking at the new year's meeting of the All-Japan Prefectural and Municipal Workers' Union, said, "although it is not wrong for them to seek to create a third political force, they should take into consideration the appropriate timing for such a move."

The secessionist move also drew fire from the union—a powerful one that has backed the SDP—as well as from the SDP's other coalition partner, new party Sakigake [Harbinger].

Morishige Goto, the union's leader, warned that such a secessionist move might not be able to win the support of voters.

"The SDP should seek to bolster parliamentary strength more steadfastly and firmly, in a manner capable of securing the attention and confidence of the public," he said.

#### \* Political Veterans Discuss Future of Politics

952B0048A Tokyo SEIRON in Japanese Dec 94 pp 84-96

[“Discussion” by Hajime Tamura, Raizo Matsuno; place and date not given: “Opinion Leaders in the Form of Two Psychics Predict the Future Political Situation and Prime Minister Candidates”]

[FBIS Translated Text] [SEIRON] Today, I would like to hear the frank views of the two opinion leaders. First, I would like to hear your views on whether or not the Murayama cabinet represents a stable government.

[Matsuno] Well, from my viewpoint, I would call it a “government run by a son-in-law.” It is much like a government that has adopted a son-in-law as prime minister. I would say that it will remain stable as long as it remains quiet, but if it becomes active, it will make mistakes (laugh).

[Tamura] Politics is unpredictable, so it is hard to say what will happen. Since even professional wrestlers like Rikidozan are at times murdered, it is hard to generalize, but I would say that as long as the Murayama government remains scandal-free, it will survive for an unexpectedly lengthy period.

The Social Democratic Party of Japan [SDPJ] is changing rapidly, which is confusing to us. At this point the SDPJ is merely a liberal party. There is the commonly accepted phrase, “Stability in instability,” but contrarily, I feel, “We must fear the unstable elements amongst the stability.”

[Matsuno] If external or internal pressure exists, we face a risk. It is a cabinet that will falter under pressure. I feel it will survive as long as it can exist peacefully in an uneventful atmosphere.

[Tamura] I believe the Murayama cabinet will not fail because of policy matters. Any problem will arise from a scandal. If any of the key cabinet members becomes the target of a scandal, we'll have a major issue on our hands.

[Matsuno] The cabinet will collapse, if that should happen.

[Tamura] Almost all of the "notorious" politicians of the Liberal Democratic Party [LDP] have left the party (laugh). Of course, some of them remain in the party. Some definitely remain, but individual politicians who rest on their laurels and use caustic words, threatening that they will leave the party, have decreased in number.

However, the SDPJ has not produced any politicians who have abandoned the party. If the situation is not properly handled, the party could split. On the other hand, although it may not go so far as to split, if it should break into factions, the party might weaken in a major way. Needless to say, such an event will not affect the LDP in any way.

Even if some politicians opt to leave the LDP, what do you think, Matsuno? Don't you think the number of departees will be less than 20?

[Matsuno] I would think the numbers would be fewer than that. We're now talking of electoral districts only... speaking of individuals who will compete by electoral district. They could not be a large group. We might be speaking of individuals, but not a large group.

The SDPJ had a lot of politicians who failed to be elected in the last election... mostly leftists. About 70 of them failed to be elected. There are quite a few electoral districts in which such individuals will compete with LDP members. Two or three influential leftist SDPJ members failed to be elected in the Tokyo area. I would think that they will reappear as candidates in the next election. That would probably mean a competition with LDP members.

[SEIRON] Then, the question is how many SDPJ members will leave the party?

[Tamura] Yes. The SDPJ is an organization that has yet to undergo reorganization. The LDP has undergone some reductions. However, the SDPJ has not finished its reduction moves (laugh).

[Matsuno] I feel that January 1995 will be a very precarious time. That is, for the Murayama cabinet. January will be a time when a number of problems will break out. The budget will be compiled and submitted. The small electoral district law has been approved and preparations will be undertaken for the next election. Japan-U.S. relations will also take a troublesome turn of events. A number of issues will be concentrated in January. Although strange, January has always been a month of political change even on a historical basis.

[Tamura] An unusual number of elections have taken place in February.

[Matsuno] It is a strange phenomenon. The last day of the year for politics is January (laugh). I would dare say that most postwar elections have taken place in February.

[Tamura] The election in 1955 took place in February. And the election before the last one also took place in February.

[Matsuno] I feel that the present cabinet will face a crisis in January and political tensions in February.

[Tamura] If we are to think of avoiding a situation in which we inconvenience the public, we should not basically hold elections in February. We should make a special effort at avoiding February elections in the current recessionary period. If we should arrange for February elections under such conditions, both ruling and opposition parties will have perpetuated highly demoralizing actions against the public.

Aside from such facts, if one were to consider the realignment of political parties, a January crisis is possible, but I feel its probability is limited.

[SEIRON] Please give a more detailed explanation of the basis for the January crisis theory.

[Matsuno] No matter how much a ruling party tries to avoid making ripples, we are speaking of a time when it will be forced to do something. It must compile the budget... by the end of December. Then, there are issues outstanding between Japan and the United States. The United States will probably become impatient about that time.

The other day, I reminisced about the past when I read the 9 October NEW YORK TIMES article about CIA funds offered to the LDP during the 1960's. The same sort of story was circulated during the Sato cabinet. The story was based on groundless facts and extensive investigations produced no facts to substantiate the reports. My associates were concerned about the article and we did our best to dig out any pertinent facts.

Eisaku Sato was implicated in the story. When we mentioned it to Sato, saying, "articles like this have been published," he replied, "You have to be joking. If such a thing had taken place, it would be reason enough to dissolve the LDP."

The story was repeated recently, and I felt the United States must be irritated with Japan again. The story is, needless to say, groundless. Although groundless, the appearance of articles like that gives one the feeling that emotional strains remain between Japan and the United States.

[SEIRON] I wonder why that would be the case at this particular juncture?

[Matsuno] It is a matter of concern. On the other hand, now that the small electoral district system is law, the public wants another election under the new election

law, although the merits of such a law are an entirely different matter. The public seeks a fresh start. The likes of Tamura must face the tasks associated with elections, but they have no choice. The public seeks former politicians to come up with new agendas. Such developments become a factor in political change.

A variety of incidents will arise, ones not necessarily restricted to political incidents. A variety of issues will demand answers at the end of the year, beginning with budget compilation, which is politically unavoidable, Japan-U.S. security matters, international contributions, and other Japan-U.S. issues. Tax system reform must also be presented to the public. Those are the issues that must be confronted in December and January. The question is, how will the internal SDPJ situation enable it to respond to such issues?

[Tamura] Unlike the SDPJ of the past, the middle-of-the-roaders and leftists are providing protection to the Murayama cabinet. Then, there is the potential that the right wing will rebel against the Murayama cabinet. Needless to say, I do not know whether they will choose to do so.

I thoroughly understand the statements Matsuno just made. However, in the past, the budget was compiled at yearend, the Diet was called into session about 20 January, and the Budget Committee meetings were held when the main Diet session ceremony was concluded. This was when things became tumultuous. Moreover, arguments at that point were always associated with policy debate.

However, recent sessions of the Budget Committee have failed to see much in the way of heated policy debate. It is a case where there are few differences in policy. Recent sessions have covered discussions on personal scandals or discussions of individual organizations, and have consisted of arguments that hardly befit a budget committee. I get the feeling that such was the prevailing situation at the Budget Committee meetings.

In that respect, I suspect that, when the Budget Committee convenes at the beginning of February, there will be little in the way of heated debate such as that of the past. However, put another way, although we may see no heated debate, we just might see some despicable arguments (laugh).

[Matsuno] Amusing. Despicable arguments!

[Tamura] The public will probably seek a new election now that the new election system has been approved. That just might be the case, but I believe the public does not seek a new election just now. If anyone is seeking a new election under current recessionary conditions, I would say it is the mass media. It is a case of what path the mass media will take in trying to shape public opinion, but I don't think they will advocate their position very strongly.

In the area of policy, as an example, the opposition parties are exercising stronger enthusiasm for Japan's proposed permanent membership in the UN Security Council. Then, comes the consumption tax. The opposition party advocates a higher rate, while the government speaks of a rate which is two percent lower. I don't think the opposition will be able to say, "That'll be too low. Make the tax rate higher."

In looking at the individual issues, one cannot help but feel that he is looking at arguments between a highly compatible married couple. There's very little potential for the development of political debate based on issues where the ruling and opposition parties are sharply divided.

The only issues that Prime Minister Murayama needs to fear are a possible split in the SDPJ and a cabinet scandal. If such problems arise, they could very well mean the collapse of his cabinet. When it comes to a scandal within the cabinet, I feel most incidents would not require the prime minister to abandon his government powers, but Tomiichi Murayama is relatively amenable to concessions and shows little greed. It is possible that he will unhesitatingly vacate his position as prime minister. However, I feel that there is little probability of a January crisis or that the February Budget Committee meetings will lead to a dissolution of the cabinet.

[SEIRON] How very odd. The views of the opinion leaders seem to go in two different directions.

[Matsuno] The breaking of campaign pledges by the SDPJ warrants new elections. And the public is calling for early elections. Now that the SDPJ has changed its original political position and there is some question about its change in stance. The party should be subjected to a new vote of confidence by the public.

The election will determine whether the SDPJ can win the votes to regain political recognition. Moreover, the SDPJ, which has supplied the current prime minister, will play a central role in the next election.

[Tamura] I believe that more than 80 percent of the public welcomes the change in the SDPJ.

[Matsuno] The fact that the change is welcomed must be validated through the election process.

[Tamura] Some people say the current alliance between the LDP and the SDPJ is an illicit union. I too unequivocally state, "It is an illicit union." If political parties with entirely different philosophies join together, it would have to be called an illicit union. If they don't like the idea of being referred to as an illicit union, they can merge. However, in comparison to the eight-faction illicit union of the Hosokawa cabinet, the current illicit union is of a better quality.

Before the Hata cabinet was formed, the SDPJ was persistently pursued as a partner to a coalition, but the SDPJ avoided the call for collaboration. As soon as the

SDPJ made the decision not to collaborate with the Hata forces, the SDPJ was heavily criticized as being unattractive, improvident, and of feeble mentality. The only conclusion one can reach is that, if the Hata forces were so sure of SDPJ qualities, why did they seek their collaboration to the very end. The opposition forces may now refer to the LDP-SDPJ coalition as an illicit union, but they should clearly remind themselves they were once engaged in an illicit union of much greater dimension.

There is no need to mention Ichiro Ozawa's book, but I think the best thing that has happened in connection with the current coalition government is that the SDPJ has become a "normal political party." I am very happy about that change.

It is only natural that an uproarious controversy has arisen over the fact that the SDPJ has transformed itself into a normal political party. If it were an SDPJ which did not cause an uproar, there would have been no such thing as the erstwhile "fighting SDPJ." The LDP was in a similar position and when historians spoke of the riotous situations arising during the downfall of huge feudal governments, this was the type of situation they spoke of. There were those who abandoned the feudal government and shifted allegiance to the government forces and quickly became key officials in the restoration. We see officials of a similar ilk among the current opposition party.

I feel politicians should be simple and honest, whether they be predecessors or successors, or junior or senior, and it is times such as these that I feel they need to be faithful to themselves over all other considerations.

[Matsuno] I feel the SDPJ should seek a vote of confidence from the public to include the question of whether it has become a normal political party. Logically, there are those who prefer the change in the SDPJ and those who question the conversion of the SDPJ.

The next election will serve to validate the SDPJ as a political party. The validation will include the shift from the old party platform to the current party platform. We cannot do without a vote that clarifies the public's standing on that change. The earlier the better. The election will also activate the new electoral districts.

The election will provide a beginning for political reform. I do not necessarily think that the small electoral district system will be a panacea. I think the politicians will have a difficult time coping with the new electoral districts.

Small electoral districts generally mean that candidates that are most closely associated with the constituents will win the elections. Under the proportional representation system, the Communist Party candidates will win some of the nationwide ballots. We also see votes cast for small, fragmented parties. I don't think that the new system is a good system, but as long as the small electoral

district system was devised as a form of political reform, we have no choice but to comply with the system.

I think the current election system will be revised, but it must be used at least once. There will be an increasing cry for a new agenda to replace the old agenda.

[Tamura] Although you speak of an early election, the ruling party and more so the opposition parties are completely unprepared for an election. No preparations exist whatsoever. Even in my case, I have not decided where I will become a candidate and in what form. I think it will take at least six months before both ruling and opposition parties as well as those who hope to become candidates can make decisions, preparations, and become ready for the call for candidates.

If we are to think in terms of thorough edification of the public concerning the organization composed of the LDP, SDPJ, and Sakigake [Harbinger] Party or the makeup of the numerous opposition parties and factions in connection with the Budget Committee hearings in February and the manner in which individual politicians conduct themselves at committee hearings, I think elections should be delayed until immediately after the end of the Diet sessions. I feel that elections need not be held next year.

[Matsuno] Well, in any event, I know that Diet members do not do their homework until the day before. I know so because I have experience as a Diet member. They never have anything like a carefully planned schedule, but do their homework only when they are confronted with a deadline (laugh).

[Tamura] Yes. That is true...

[Matsuno] None of you Diet members have done your homework. This is why you finally awaken to problems on the night before. There is no political party that can post 300 candidates. Even in the case of the LDP, it may have 200 candidates, but there is no way that it can post a candidate in all 300 of the small electoral districts.

In fact, the new-new party has even fewer candidates to post in the various districts. However, once a decision is made to hold elections, everyone has no choice but to cram their homework overnight.

[Tamura] In summary, it is a case where people of differing ideas must survive under one roof. Even within the LDP, the diversity of ideas has become obvious recently. There is no need to mention the situation in the opposition parties, and I would like to speak of differences among parties, but in reality it is a case where individual politicians are voicing their completely varied views.

As far as I am concerned, I would be grateful to see an early election. I would like to have an election before the competition is able to prepare himself. Needless to say, I cannot take such a selfish stand, while it is a case where

elections should be planned, preparations made, announced, and then executed.

That being the case, the question is, how should we dissolve the current government? Inasmuch as we have not served out our terms, we have no choice but to go the dissolution route. As an example, I doubt very much that we could visualize a situation in which a no-confidence resolution is initiated, the ruling and opposition parties confer, and agree on voting for the no-confidence resolution. If a no-confidence resolution is made, the ruling party will certainly move to veto the action. Then, if a dissolution resolution approach is used, we will see a major struggle ensue between the ruling and opposition parties. This will become the situation because designation of candidates will not have been completed at that stage.

Orally, we speak of dissolution, but if one is questioned on how to take the action, there is no method to execute the idea.

If there is a method, it would call for a split in the SDPJ. However, the question remains whether SDPJ dropouts will vote in favor of a no-confidence resolution against the Murayama cabinet. I don't think they will go that far.

[SEIRON] In summary, the Sadao Yamahana group holds the key to the situation. What sort of move will it make?

[Matsuno] Its moves will depend on how much support it can garner from public opinion. It initiated a move at one time, but could not arrive at a consensus. This time around, it will probably depend on trends in public opinion and the posture of the Murayama cabinet. The group will be keenly affected by Murayama cabinet statements and its interpellations. Even in terms of allegiance, there are different degrees within the SDPJ.

The group is more sensitive than the LDP on such issues as international contributions and constitutional debate. The group will act in response to such issues on a psychological basis. Individuals will move in a variety of directions, including moves to the right by leftists and moves to the left by rightists. I feel that, ultimately, individual behavior will be influenced by the popularity of the Murayama cabinet.

If the group believes the SDPJ will win with the Murayama cabinet, it will join that trend, and if it feels it will not, the group will drop out. There may be some that feel it would be better to go with the new party rather than the SDPJ in the elections. The ultimate decisions will depend on public opinion.

The next question is, what moves will the influential individuals who failed to win in the last elections as SDPJ candidates make? This is something we would like to focus on.

[SEIRON] I get the feeling that Noboru Takeshita and Seiroku Kajiyama are manipulating the Murayama "Diet Affairs" cabinet which is protected by the Diet Affairs zoku.

[Tamura] When these two individuals come to the Diet building, they always visit the Diet Affairs offices. What you say may be true to a degree, but I hardly sense that to be the case.

However, I think that when they took action to restore Takeshita to the party, they should have made a formal party decision by referring the matter to the Executive Committee. I say so because Takeshita's reinstatement had nothing to do with the not-guilty court verdict on Takao Fujinami. Fujinami's indictment was clearly an error. That's why he was declared innocent. This means he was cleared of his charges in terms of having been indicted.

Takeshita and a few others have still managed to avoid a trial. Takeshita and a few others say, "We have done nothing wrong," but if that's the case why did they resign from the party? (laugh) If they were going to be defiant, they should have done so earlier. Someone who has once resigned from the party can say, "We've done nothing wrong. Look at the outcome for Fujinami," but the circumstances are entirely different for them compared to Fujinami's case.

[Matsuno] You are correct. Takeshita merely took advantage of the situation. His behavior is a negative for the party.

[Tamura] I don't wish to speak so unfavorably about him, he is a good friend, but I think he could have made a clearer distinction between right and wrong. I think this factor becomes even more significant if the LDP is going to recreate itself as a new party or undergo restructuring.

[SEIRON] Does Takeshita still have considerable influence?

[Matsuno] There may be some individuals who relate to him, but I believe he exercises little influence in the party as a whole.

[Tamura] A very limited segment might still worship Takeshita. However, frankly speaking, he no longer exercises the influence of previous days.

[Matsuno] That's exactly the case.

[SEIRON] What has happened on the move to break up factions?

[Tamura] I really don't know, whether they are or aren't going to do away with factions. You hear that demands are being made to disband factions and close faction offices, but on the other hand the three key officials remain in office and you hear much talk about changes in appointments to the three key positions within factions. And, at this point, you have no more to say and find yourself incapable of taking any of it seriously.

And, if we are going to speak of establishing political ethics, I believe we should prohibit political donations. As an offset, we should provide politicians with about 10

official secretaries. Legislative research funds currently issued to parties should be issued to individual politicians. Or, we could provide that public funding issued to parties should, in large measure, be issued to individual politicians on an equitable basis.

Inequities exist in relation to the telephone. Telephone bills of politicians are expensive. Telephone calls to the 23 wards of Tokyo are considered local calls and are toll-free regardless of the number of calls made. Periods coming before and after Diet dissolutions are always see a concentrated use of such local call lines by secretaries of junior Diet members.

However, calls to Chinai, Abashiri, Okinawa, and Ishigaki are terribly expensive. If the party on the other end is verbose, calls become long and the toll charges are horrible. Therefore, we should probably provide official-use telephones at the rate of one phone in the Diet Members Building and one for each of the principal field offices in the electoral districts.

[Matsuno] Even in the Diet Members Building?

[Tamura] Calls made from the Diet Members Building should be toll-free.

The idea is to provide special privileges in a number of ways, but to prohibit political donations. As long as the political donation system exists, we will not be able to eliminate associated problems because they will be limitless like the individual grains of sand on the beaches (laugh). One of the arguments presented in court trials is, "I've never received such funds. The secretary may have received them." Another argument probably relates to occupational authority. If it is a case where "it should have not have been accepted," it would have been wrong for even the secretary to accept it. It is a case where acceptance is prohibited, whether occupational authority did or did not exist.

We must make politicians aware that, once money is accepted, they'll be indicted for either corruption or for tax evasion. They must be aware that they'll be indicted even if the sum is as little as 10,000 yen.

Next, we should set a very severe penalty. The reason why I advocate a heavy penalty is that, although a troublesome situation for politicians, voter bribing is still characteristic of blackmail for the average citizen. We should be able to establish good morals if bribed voters were forced to serve a prison term of five years for accepting 100,000 yen in bribes.

[Matsuno] Politicians making payoffs would disappear.

[Tamura] In response to my position, a commentator once said, "Elections may become clean, but enthusiasm for elections will decline and there will be no election atmosphere," but I responded by saying, "Yes, you may be right, but that is what you call quibbling."

[Matsuno] I would say such a position is acceptable.

[Tamura] Yes. The position is acceptable. However, as time transpires, we just might revert to our previous conditions. By reverting, I mean that the significance of elections will be recognized again. Elections are akin to the situation faced by taxis. If rates are hiked, customers decrease, but after a while passenger usage returns to its former levels.

[SEIRON] What are your views on Ichiro Ozawa's strategy?

[Matsuno] I would like to preface my statement by saying that a day never goes by without mention of Ozawa. I am puzzled and would like to ask the question, "When did he gain such prominence?"

In the old days, when one opened the newspapers, there wasn't a day when you did not see the name of Kozen Hirokawa. Then, there was a time when there were no days when you did not see Banboku Ono. Nowadays, there is probably no party held in the political world that is not attended by Ozawa. I wonder why.

[Tamura] Setting aside the question of whether it is a false image or a real image, we can say it is an image created by the media. For example, Kakuei Tanaka and I were very good friends, but in his case the media called him "Imataiko (Hideyoshi Toyotomi's nickname as an adult)", "Hiyoshimaru (Hideyoshi Toyotomi's nickname as a child)", and "commoner prime minister," but abandoned him with a thud in the end.

Even in the case of Shin Kanemaru, during his heyday he was referred to as part of a certain faction or certain group, but in reference to the Keiseikai, it was always called the "Keiseikai belonging to the largest intraparty Takeshita faction," and mentioned him as its chairman.

In essence, those Diet members who had not gained much influence would rely on the strength of more prominent politicians. Even voters would recommend, "If you're going to become a Diet member, you might as well join the Keiseikai which is the largest party faction." The conditions led to the formation of a giant faction, but in the end it was quickly abandoned by the very mass media that assisted in its growth by the generous use of adjectives.

Even in the case of Ozawa, Shin Kanemaru once awarded him with a significant promotion from deputy cabinet secretary to LDP secretary general. That promotion was not a case of a total absence of a precedent. Even Banboku Ono went from parliamentary vice minister of home affairs to LDP secretary general. However, at that time, everyone on top was removed as part of the purge. Circumstances differed from those of today.

It was odd that Kanemaru enforced such a stupid major promotion of that type, but the other day when I witnessed Ozawa walking down the hallway, I'd have to say that his demeanor was superior to that of a prime minister (laugh).

[Matsuno] Is that so? It's probably so because Ozawa makes newsworthy statements. Everyone else must express themselves in an abstract manner. Ozawa states, "That person is wrong. I would do it this way." That type of statement is easily transformed into newspaper articles.

One incident really astonished me in connection with his trip to the United States. He made a speech at some sort of major press club in the United States. I think he made some disparaging remarks about the Murayama cabinet, but in any case, I was surprised at the fact that his speech was given major coverage.

Politicians are prone to make somewhat degrading remarks about the opposition. Although such remarks are made, in viewing Ozawa who inspires such major coverage, I get the impression that he must be very highly regarded in the United States.

[Tamura] Objectively speaking, Ozawa is very conspicuous in the current new-new party. He's not an "arrogant" military general, but the likes of Kaifu walk a few paces behind Ozawa, and when Ozawa says, "Old man!" he answers, "Yes, sir" (laugh). They make an interesting pair.

[Matsuno] I really don't think that is the case (laugh). However, Ozawa is the only one in that group who expresses himself frankly.

[Tamura] I like Ozawa in a sense. What he says is OK, but his behavior is both mature and immature. Sometimes he suddenly disappears, and sometimes he rejects requests for interviews. Sometimes he acts like a child (laugh).

I feel that even with his present emotional characteristics, he would be acceptable as long as he were a man of substance. He seems to have many enemies, but I imagine he also has many allies. When it comes time for the new-new party to be launched and Ozawa joins the party, it will be similar to a situation in which a viper enters the arena (laugh).

[Matsuno] However, a new party cannot be formed without Ozawa.

[Tamura] Yes. You are right.

[Matsuno] However, Ozawa cannot be made into a symbolic party president.

[Tamura] He'll have to be appointed to a position like Kanemaru in relation to the Keiseikai.

[SEIRON] Don't you think Ozawa is qualified to be a prime minister?

[Matsuno] I don't think he is qualified and I don't think he will become prime minister. He's not the type that fits the mold of prime minister. He's a doer. If he were to conduct himself as a prime minister, no one could keep up with him.

[Tamura] No politician that fits Ozawa's pattern has ever become prime minister. Looking back at Takeyoshi Miki, Banboku Ono, Kozen Hirokawa, Ichiro Kono, and others, it is almost strange that character actors have not become prime ministers.

[Matsuno] Individuals with strong character traits have not become prime ministers. I guess it's a case where individuals with harmonious personalities become prime ministers. With the exception of Shigeru Yoshida, all the prime ministers were the harmonious type. Ichiro Hatoyama was typical of the harmonious type.

[SEIRON] Who will become the leader of the new-new party?

[Matsuno] I would say there are four or five potential candidates, but most of them will probably take a conciliatory attitude. I imagine as long as Ozawa demonstrates so much power, Hata could not be made the leader. In that event, it'll be more like a new party within Shinseito. If the choice falls between Kaifu and Hosokawa, former Prime Minister Kaifu will probably become the leader.

In the last election for prime minister, quite a few wrote in "Kaifu" on the ballots. As long as Kaifu was designated as the prime minister candidate in the last formal Diet conference, I would assume he will be designated as the leader of the new-new party.

[Tamura] Frankly, I feel that there are no prime minister candidates from our viewpoint. I come from the prefecture located next to Kaifu's home prefecture and have known him since his days as secretary to Kinsho Kono, but he is a case where he can do a leader's job, but not one that can fill the position of a leader.

[Matsuno] You have been familiar with him since his younger days. I think this is a case of familiarity breeding contempt.

[Tamura] Aside from that fact, both Hosokawa and Kaifu look like they are stouthearted, but in reality they are both timid.

Hosokawa became Ozawa's puppet. Kaifu became a puppet to Ozawa and Takeshita.

I am referring to Matsuno's former leader, Eisaku Sato, but myself and Isamu Murakami took a candidates' list into party headquarters and said, "We have made a tentative list of ministerial candidates listed on this paper, so please consider it." The response was, "We understand. However, you folks must have misunderstood something. The prime minister is going to be Eisaku Sato." Once that was said, the secretary said, "Murakami and his group are going home!" and we were thrown out (laugh).

This is the way prime ministers are born. Disregarding likes and dislikes, I guess we can say that up to the point where Yoshida, Hatoyama, Hayato Ikeda, and Yasuhiro Nakasone served, we had true prime ministers.

[SEIRON] We would like you to mention two or three candidates for prime minister and ruling party president.

[Matsuno] What do you think of the LDP taking the lead in the next cycle?

[Tamura] I would think potential candidates in the case of the LDP would include Yohei Kono, Ryutaro Hashimoto, Yoshiro Mori, and Koichi Kato. In any event, this may be nothing more than a commonsense statement, but these are the individuals who will be contending for leadership.

[Matsuno] In the case of the new-new party, the potential candidate will be either Toshiki Kaifu, Tsutomu Hata, or Morihiro Hosokawa. If the candidate were to be selected from among the ruling parties, it would be either Ryutaro Hashimoto or Keizo Obuchi from the LDP.

[Tamura] Obuchi is much like an invisible but essential individual. In the event we need a prime minister and ruling party president who respects harmony, Obuchi would be well qualified.

In terms of the opposition, if Ozawa were to change his disposition in the spirit reflected in the title of "Kaishin" [Renovation], his former political group even Ozawa might make a superior candidate.

[SEIRON] I assume you are speaking of changing his attitude.

[Tamura] Yes. However, I would think he would not be able to do so. I think it is acceptable that he cannot change. There are those politicians who aim to become prime ministers and those who do not. Neither Matsuno nor I have any desire to become prime minister. I would think that Ozawa will tread the course taken by Shin Kanemaru.

When I speak of the course taken by Kanemaru, I am not speaking of taking an bizarre course (laugh). He'll administer parliamentary government as a backstage assistant and conduct himself like the pope.

[SEIRON] As opinion leaders, both of you mentioned Ryutaro Hashimoto in your evaluations of candidates.

[Tamura] Like Matsuno and I, Hashimoto is junior to us as an alumnus of Keio University. I assisted Hashimoto frequently during his election campaigns and everyone knows that he is intelligent and has a good head on his shoulders. If he were ever to come to the point of saying, "No. I am not smart. I am in no way an intelligent person," then, he would be a truly great person (laugh).

[SEIRON] Ozawa is also an alumnus of Keio.

[Tamura] Ozawa never attends the Mita-kai meetings. It seems that he does not show much interest in alumni meetings. I guess he goes by the rationale that having studied under the same roof does not require that you associate with your alumnus.

If the opposition parties' potential candidates were to be viewed objectively, I would say that Hata is the leading candidate. However, he is another case that requires mental reform. In the case of Hata, there is a need to become more stouthearted.

He is a very warmhearted and cheerful person and would make an ideal friend. He needs to become somewhat more stouthearted and when Ozawa says something, he needs to say sternly, "Mind your own business. I'm the prime minister." If he were to say in a cute voice, "Ichiro, how should we handle this?" it will not do (laugh).

[Matsuno] Among the junior personnel, Hatoyama III makes an interesting candidate.

[Tamura] I would say that his older brother, Yukio Hatoyama, would make a better candidate.

[Matsuno] The younger brother, Kunio Hatoyama, wouldn't make a bad candidate. Yoshida's grandchild Taro Aso would be suitable too in that he is not of a timid personality. He takes advantage of people, just like Yoshida (laugh).

[Tamura] If one were to categorize Taro Aso, you might say he is somewhat like Raizo Matsuno (laugh).

[Matsuno] He is daring and on the arrogant side. Arrogance is a characteristic required of a politician. Junior Diet member, Seichi Ota, is even more arrogant.

[SEIRON] What do you think of Michihiko Kano?

[Matsuno] Kano too is arrogant. When we speak of arrogance, we do not mean that he takes such an attitude toward the public. We're speaking of his being arrogant towards his seniors like us. (laugh).

[Tamura] Politicians tend to be either extremely arrogant, or extremely condescending. As mentioned by Matsuno, politicians need to be arrogant to a degree.

[SEIRON] The two opinion leaders have finally agreed on a topic.

[Matsuno] It was a good thing that our opinions were not in agreement. We would have been uninteresting if our opinions were in total agreement.

[Tamura] If our opinions were to agree, we would stir up a controversy because of an agreement between two psychics. It was good that we disagreed. That way, everyone can understand that we are not engaged in behind-the-scenes maneuverings (laugh).

**[Boxed item: Raizo Matsuno:]** Born in Kumamoto Prefecture in 1917. Graduate of Law School, Keio University. Served as secretary to Shigeru Yoshida and was elected to the House of Representatives in 1947 and was reelected 15 times. As a Diet member, he served in key positions such as the director general of the Management and Coordination Agency; minister of labor; director general of the Defense Agency; minister of agriculture,

forestry, and fisheries; LDP Election Bureau chief; and LDP Policy Research Council chief. Even after retiring as a Diet member, his office is frequently visited by numerous personnel.]

[Boxed item: **Hajime Tamura**: Born in Mie Prefecture in 1924. Graduate of Law School, Keio University. First elected to the House of Representatives in February 1955. He has served as minister of labor, minister of transportation, and minister of international trade and industry, and served as speaker of the House of Representatives from June 1989 to January 1990. Currently serves as senior adviser to the LDP. He will have served as a Diet member for 40 years as of January 1995. He'll be the seventh individual to attain such a record. He had been a member of the Ono faction, later to be known as the Mizuta faction.]

#### \* Fate of New Democratic League, Ozawa Examined

952B0052A Tokyo SEKAI in Japanese Dec 94 pp 252-253

[Article by Takao Tosekawa, editor in chief of "Inside Line": "Measures for Resuscitating Ozawa"]

[FBIS Translated Text] Among a small segment of people involved at Nagata-cho there is now a measure being secretly whispered about for resuscitating Shinseito [Japan Renewal Party] acting representative Ichiro Ozawa. Unquestionably, the new-new party being launched 10 December under Ozawa's leadership is "the eye of the typhoon" for political restructuring. Still, Komeito, which should be the core of the former coalition forces, feels the vacillation of its support body, the Soka Gakkai (Daisaku Ikeda, chairman emeritus), which has been getting cold feet. So, Ozawa is being troubled by "problems" with funding and the organizational aspects of readying for possible early dissolution of the lower house and general elections, as well as such things as haggling among the parties and factions over selecting party heads.

But, they say Ozawa is considering, as his "secret of secrets," the following ultra-C [superior performance]. It is, at any cost, to have as head of the new-new party Sadao Yamahana, former chairman of the Social Democratic Party of Japan [SDPJ] and representative of the right-wing "New Democratic League" [Shinminren] which was formed in the party. For, on 18 October, the first day that he resumed the press conferences he had been declining lately, Ozawa stated, "It will be best to choose the party head after setting up the new-new party."

Actually, they say this Ozawa statement was linked by devious channels to the statement of SDPJ Secretary General Wataru Kubo (21 October) that "creating the new force (a social-democratic liberal new party) before the next general elections is important." And, those further overlapped with the statement in Seoul (on 15

October) by Takashi Yonezawa, secretary general of the Democratic Socialist Party: "It's strange to have both the party head and the chief secretary positions occupied by the group that seceded from the LDP. If one works out these "three men's statements" as one would a jigsaw puzzle, one gets "Yamahana as party chief and Yonezawa as chief secretary." With this pairing the "New Democratic League" would surely leave the SDPJ and ultimately merge with the new-new party. They say that Ozawa is reading it this way, but...?

#### Rehabilitating Takeshita

As each day passes, former prime minister Takeshita, who was reinstated into the party, is a growing presence in the LDP. Various party politicians and high-level government bureaucrats who visit the Takeshita office in Nagata-cho's TBR Building are camped on his doorstep. It is said that Takeshita himself is secretly chuckling to himself about the talk he has overheard about its "being so hard to get to see Takeshita."

Treating it just as his "final public duty," former justice minister Masaharu Gotoda, who is doing his utmost for the "Basic Issues Research Committee" again constituted in the party, is even scrapping with Takeshita over the launching of this research committee. Especially now that the SDPJ is associated with the coalition administration, it is Gotoda's fundamental perception that the LDP's basic line of making "constitutional revision" the party's de facto platform should be reexamined.

However, Takeshita, who is said to have asserted, when the Murayama regime started, "With this, we've swallowed up the SDPJ; next we'll just digest them in gastric juices (the LDP)," is now said to have perceived—about the misgivings that Gotoda holds—"that 'constitutional revision' may be treated as equivalent to the 'unarmed neutrality' the SDPJ once evoked like a catechism." With this, even Gotoda, "razor" though he is, is said to have lost his nerve.

There is one more reason that Takeshita is so animated lately. It is the general elections. With rumors like "December dissolution, January elections" flying about, they say that Takeshita, who is familiar with the situation in every electoral district, is poring over such reference works as the Diet handbook, sucking on his pencil day and night so as to line up the candidates of the LDP, SDPJ, and Sakigake [Harbinger]. Now the new coalition ruling party axis is the Takeshita-Takemura (Masayoshi, finance minister)-Gotoda-Yohei Kono (deputy prime minister and foreign minister) lineup.

#### Fate of New Democratic League

Once more on the "New Democratic League" entanglement. In "Rengo," which invited Zensen Domei [Japanese Federation of Textile, Garment, Chemical, Mercantile, and Allied Industry Workers Unions] president Jinnosuke Ashida to be its new president, a "New Democratic League" contest is being fiercely waged by

seven independent industrial labor alliances such as Jichiro [All Japan Prefectural and Municipal Workers Union] versus Zentei [Japan Postal Workers Union] over whether there will be "two major forces" or "a third pole." The actual situation is detailed in MAINICHI SHIMBUN (24 October Morning Edition).

Persons involved with the SDPJ say the fierce feud between the two groups is worse than reported. To begin with, what is called the "New Democratic League" is something started by Sadao Yamahana and Wataru Kubo (not taking center stage because of the SDPJ secretary-generalship), who fell into the trap set by Zentei chairman Mototaka Ito and Zendentsu [Japan Telecommunication Workers Union] chairman Koji Kajimoto, who are said to be close to Ichiro Ozawa, in line with their aim of trying to force the SDPJ to break up and merge its rightwing forces with the new-new party.

Before it was inaugurated, seven "shake-out" operations, besides the one between Yamahana and Kubo, were undertaken between the core group and heads of the seven independent industrial labor alliances: Zentei, Zendentsu, Federation of Electrical Workers Unions [Denki Rengo], Federation of Information Media Workers Unions [Joho Roren], Federation of Automobile Workers Unions [Jidosha Soren], Zensen Domei, Iron and Steel Workers Unions [Tekko Roren], and Federation of Electrical Workers Unions [Denryoku Soren]. During that time it is said that they lodged together in Niigata.

They say that after that joint lodging ended on 27 August, Ito, Kajimoto, and Denki Rengo chairman Yasuo Iwayama bargained directly with Yamahana and Kubo about leaving the SDPJ. Yet, they say that Yamahana began to draw a line between himself and Kubo as the design became clear that the reality of an "Ashida alliance" in the decampment campaign by Akira Yamagishi, who so far had supported Yamahana, would be "the whole Democratic Socialist Party." Ultimately, it seems that only some five men, such as Issei Inoue and Masao Sakon of the former "New Policy Group" [Shinsaisaku Konwakai] which [Aogu] Matsumae had spearheaded, will merge with the new-new party while the majority will stand fast. It may mean either the "New Democratic League" becoming an empty husk or the entire SDPJ "transforming into the New Democratic League."

### North Korea

**'World' Supports Pulling Down 'Concrete Wall'**  
SK0601060795 Pyongyang KCNA in English 0409  
GMT 6 Jan 95

[FBIS Transcribed Text] Pyongyang, January 5 (KCNA)—The world public supported the appeal of the Standing Committee of the Supreme People's Assembly of the Democratic People's Republic of Korea addressed

to the parliaments and politicians of different countries, making a request for the demolition of the concrete wall built by the South Korean dictators.

Robert Charvin, chairman of the International Committee of Jurists for Democracy and Human Rights in South Korea, said in a statement that in order to eradicate the idea of confrontation on the Korean peninsula, ensure genuine human rights in South Korea and allow the people to exercise their right to reunification, the concrete wall should be dismantled at once and the "National Security Law" should be immediately abolished.

The Socialist Revolutionary Party of Peru, in a statement, urged the South Korean authorities to abolish the "National Security Law", a stumbling block in contact, exchange, reconciliation and unity between the North and South of Korea, and destroy the concrete wall.

Jean Pierre Ngambi [spelling of name as received], general secretary of the Central Committee of the Communist Party of Cameroon, said in a letter to the South Korean authorities that the South Korean authorities must demolish the concrete wall at an early date conformity with the desire of all the Korean people in the North and the South and overseas.

The Asian Regional Committee to Support Korea's Reunification issued a statement and demanded an immediate demolition of the concrete wall, stating that it is a factor of prolonged tension and confrontation between the North and South of Korea and a symbol of national division.

**'Treacherous Nature' of Globalization Decried**  
SK0601051095 Pyongyang KCNA in English 0442  
GMT 6 Jan 95

[FBIS Transcribed Text] Pyongyang, January 6 (KCNA)—The secretariat of the Committee for the Peaceful Reunification of the Fatherland [CPRF] Thursday [5 January] issued information No. 670 laying bare the treacherous nature of the "globalisation plan" of the South Korean puppet clique.

The information says:

Under the system of the World Trade Organisation effective from January 1, 1995, which calls for a wide opening of markets, South Korea is under the obligation to import 350,000 tons of rice and import the red pepper, vinegar and 41 other kinds of agricultural produce at customs tariffs of 40 to 50 percent this year. South Korea is also obliged to open 78 sectors of services including dental surgery and charter bus service, remove duties on 126 items of goods including semiconductor, computer, iron and steel and construction equipment and cut duties on 193 items of commodities including chemical goods.

This means leaving nearly all the markets of South Korea including agricultural market to the tender mercy of outside forces, lock, stock and barrel.

The fact clearly shows that the "globalisation plan" of the traitor Kim Yong-sam is a treacherous scheme to make the South Korean economy entirely dependent on outside forces and offer the South Korean markets to foreign monopolies.

The South Korean people must clearly see through the treacherous nature of the "globalisation plan" of the traitor Kim Yong-sam, resolutely fight against it and more courageously rise in struggle to oust him, the cancer of the nation and the root cause of misfortune.

### **Overseas Groups Demand Repatriation of 'POW's'**

*SK0601051295 Pyongyang KCNA in English 0401  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 5 (KCNA)—The world public are demanding the repatriation of old Kim In-so, Ham Se-hwan and Kim Yong-tae, unconverted long-term prisoners in South Korea, to the northern half of Korea.

The African Regional Committee for the Study of the Chuche Idea, in a statement, strongly urged the South Korean authorities to promptly send the old men back to their hometowns in conformity with international law so that they may spend their remaining years with their families and relatives.

The Mozambican Committee for the Promotion of the Repatriation of Unconverted Long-Term Prisoners in South Korea, in an appeal to all the human rights organizations in the world, said it is due to "the National Security Law" (NSL) of South Korea, the worst law in the world, that the unconverted long-term prisoners could not return to their hometowns where their beloved families and relatives are waiting for them, even after serving prison terms of dozens of years.

The appeal said the Kim Yong-sam group, inferior to beasts, must be removed along with the "NSL".

The Jordanian Committee for the Repatriation of Unconverted Long-Term Prisoners if South Korea to the North said in an appeal: "The Seoul authorities have kept them in South Korea even after the agreed framework was adopted between the Democratic People's Republic of Korea and the United States. This fully shows the violation of vital rights and freedom of the people by the Seoul authorities."

The Surinamese Committee for Friendship and Solidarity With the Korean People sent a letter to the president of the International Committee of the Red Cross. Considering that the unconverted long-term prisoners in South Korea should be repatriated to the DPRK at once as required by the International Convention on Human Rights and POWs, it asked the International Committee of the Red Cross to strongly urge the South Korean authorities to send them back to the north.

The Tunisian Committee for Solidarity With Korean Workers, in a letter to the president of the International Committee of the Red Cross, said the repatriation of old Kim In-so, Ham Se-hwan and Kim Yong-tae is an important humanitarian issue which brooks no further delay. It requested him to render an active cooperation for their repatriation.

The Mozambican Committee for the Promotion of the Repatriation of Unconverted Long-Term Prisoners in South Korea sent a letter of protest to the South Korean Red Cross urging it to take all steps for the repatriation of the old men.

### **ROK Students Encouraged To Achieve Independence**

*SK0601110195 Pyongyang KCNA in English 1004  
GMT 6 Jan 95*

[“Hold Higher Banner of Independence, Democracy and Reunification: NODONG SINMUN”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 6 (KCNA)—The reality strongly urges the South Korean students and people at large to hold ever higher the banner of independence, democracy and reunification and turn out in a death-defying resistance for achieving them this year which marks the lapse of 50 years since the division of the country and the nation, says NODONG SINMUN in a by-lined article today.

Noting that the movement of the South Korean students and people for independence, democracy and reunification is an anti-“government” struggle for removing the traitor Kim Yong-sam clique, the article says:

The Kim Yong-sam puppet clique is a group of the most despicable flunkeyist traitors putting their predecessors into the shade.

After coming to power the Kim Yong-sam group became the shock-brigade in an anti-DPRK campaign of the imperialists and the reactionaries over the nuclear issue and ran about like a headless chicken to do harm to fellow countrymen, crying out for “sanctions” and “cooperation system” against the North and lay a stumbling-block in the way of the DPRK-U.S. talks for a solution to the nuclear issue on the Korean peninsula and peace and security in the region. These persistent and vicious criminal acts gave rise to indignation among the whole nation. It is only too natural that the South Korean students and people are calling for the punishment of the despicable flunkeyist traitor Kim Yong-sam and co. harming and selling off the interests of the country and the nation to outside forces, branding him as “a flunkeyist traitor outdistancing the five traitors of 1905” and “Yi Wan-yong the second”.

Kim Yong-sam, the puppet, is a heinous fascist dictator and ferocious strangler of democracy.

The Kim Jong-sam group has established a fascist dictatorial rule more vicious than the military fascist dictatorship and reduced South Korea to a theatre of fascist rowdyism and graveyard of democratic civil rights by setting in motion all the tools of fascist repression.

The Kim Jong-sam traitor clique is the foe of reunification defying the desire of fellow countrymen for reunification and brutally suppressing the reunification movement of the people.

The Kim Jong-sam group refused all the fair and above-board proposals put forward by the North for the great unity of the nation and the reunification of the country and drove the inter-Korean relations to the worst phase by breaking up all the North-South dialogues that had progressed even under the preceding military "regimes".

With the Kim Jong-sam puppet clique left alone it is impossible for the South Korean people to gratify their desire for independence, democracy and reunification any time—this is the lesson drawn by the students and people of South Korea.

#### Former 'Comfort Women' in Korea Seek Reparations

*SK0601062495 Pyongyang KCNA in English 0417  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 5 (KCNA)—Former "comfort women for the army," who live in the Democratic People's Republic of Korea, denounced the sinister attempt of the Japanese Government to settle unreasonably the "comfort women" problem typifying an anti-ethical crime of the worst type through "nongovernmental fund" and urged it to make a sincere apology and an adequate reparation in the name of the state for the past crimes.

They were speaking at a rally of former sex slaves in Pyongyang.

Kim Yong-sil, who lives in Sinjang-ri, Hyesan City, Yanggang Province, said the Japanese Government's offer to settle the issue with a "nongovernmental fund" reveals its sinister and despicable attempt to deny compensation to the victims, not confirming the crimes by the state of Japan as historical facts.

Kwak Kum-nyo, who lives in Sindong-ri, Tancho City, South Hamgyong Province, said that the few amount of money collected from private citizens can never make up or the violated dignity, lost youth and wounded hearts of the victims.

Chong Mun-pok, who lives in Songdok-ri, Hwapyong County, Chaga Province said she would never forget the atrocities of the Japanese imperialists even after her death. She declared she would live and fight it out till the Japanese Government has fallen on its knees and apologized to the Korean women and people around the world for its past wrongdoings and made an adequate compensation.

A letter of protest to the Japanese prime minister was adopted at the rally, which denounces the unreasonable position and attitude of the Japanese Government toward postwar settlement and urges a prompt settlement on the problem.

In the letter, the former "comfort women" criticize the Japanese Government for trying to shirk the responsibility of the state of Japan for the past crimes by means of "nongovernmental fund." Insincere "repentance" and empty "apology" can never work, the letter says.

It stresses:

"As the past crimes of the Japanese imperialists were committed by the state and the military of Japan, none other than the Japanese Government is obliged to atone for them.

"Both the crimes committed by the past Japanese Government and the wrong attitude of the present Japanese Government must be brought to the international court. The prime minister must ponder over the matter and realize that a proper atonement for Japan's heinous crimes against the Korean people and other Asian peoples is the demand of the times.

"We strongly urge the Japanese Government to look squarely at the situation, sincerely repent of the past crimes, make a thorough-going probe into the truth of the criminal cases, open the results to the public, ferret out and punish those responsible for the crimes and make an adequate reparation in the name of the state, regarding 1995, in which falls the 50th anniversary of Japan's defeat in the war, as a good opportunity of showing its sincerity and conscience to the international community."

#### Tourism Agreement Reached With Japan on Festival

*SK0601051695 Pyongyang KCNA in English 0437  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 6 (KCNA)—A tourist contract concerning the Pyongyang International Sports and Cultural Festival for Peace slated from April 28 to 30 this year was recently signed between the Korea International Travel Company and the Chugai Travel Company, Ltd. and the Japan Travel Bureau (JTB) and an agreement was reached on a series of related matters.

According to the agreement, a large number of tourists are expected to come to Pyongyang from different parts of the world during the festival and the Chugai Travel Co. and the JTB will be the sole channel of collecting tourists in Japan.

The Chugai Travel Co. and the JTB will exclusively deal in Japan with formalities for the entry of the tourists into the Democratic People's Republic of Korea.

In order to successfully ensure festival tourism, the Chugai Travel Co. and the JTB will send their business officials and tourist advertisement agents for the propaganda of the festival to Korea by chartered planes of the Air Koryo from January 27 to 31 on a trip for tourist study.

During the festival, the tourists will see grand and splendid opening and closing ceremonies of the festival unprecedented in any other country at the 150,000-seat May Day Stadium, and such colorful functions as mass gymnastic display, Korean folk games, art performances and "Evening of Pyongyang" and matches of well-known professional wrestlers from Japan and the United States.

In this period, major state guest houses and luxurious hotels will be available for the tourists. Tourists may lodge at private houses if they want.

#### **Korean People's Struggle Book Published in Italy**

*SK0601110695 Pyongyang KCNA in English 1010  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 6 (KCNA)—"The Korean people's protracted struggle for Korean reunification," a book written by Adriana Kiaya, member of the Italian committee for the reunification and peace of Korea, was published in Italy recently.

In the preface the book introduces the origin of the nuclear issue in the Korean peninsula, the agreed framework between the Democratic People's Republic of Korea and the United States and the DPRK's peaceful nuclear activities and exposes the plots of the hostile forces to stifle the DPRK.

It also introduces the history of the South Korean National Democratic Front (Hanminjon) and its guiding idea and programme and carries immediate slogans set by Hanminjon.

Under the title "Joint Efforts of the North and the South for the Reunification and Peace of Korea" the book deals with the talk the great leader President Kim Il-song had with the members of the South side delegation to the North-South high-level talks on February 20, 1992.

It carries articles denouncing the crimes of the Kim Yong-sam "civilian" regime and the nuclear arms buildup and new war provocation moves of the United States and the South Korean puppets.

#### **Chon Yon-ok Attends Sudan Independence Meeting**

*SK0601052095 Pyongyang KCNA in English 0428  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 6 (KCNA)—A meeting commemorating the 39th anniversary of the independence of the Sudan was held here Thursday under the auspices of the Korea-Sudan Friendship Association.

The meeting was attended by Chon Yon-ok, vice-chairwoman of the Committee for Cultural Relations With Foreign Countries and vice-chairwoman of the Korea-Sudan Friendship Association, and other officials concerned and working people in the city.

A speech was made and a message of greetings to the Sudanese president was adopted at the meeting.

#### **Support for New Year's Joint Editorial Expressed**

##### **Vice President Kim Pyong-sik**

*OW0501100895 Pyongyang KCNA in English 0441  
GMT 5 Jan 95*

[“Vice-President Kim Pyong-sik Supports Line and Policies of National Reunification Laid Down in New Year's Joint Editorial”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 5 (KCNA)—Kim Pyong-sik, vice-president of the Democratic People's Republic of Korea and chairman of the Central Committee of the Korean Social Democratic Party, in a statement on January 4 expressed full support for the line and policies of national reunification laid down in the joint editorial on the new year, saying that they provide a guarantee for carrying into a brilliant reality the behests of the fatherly leader Comrade Kim Il-song concerning the reunification of the country, upholding the respected General Kim Chong-il, the great leader of the Korean nation, as the lodestar of national reunification.

The joint editorial of NODONG SINMUN, CHOSON-INMINGUN (daily of Korean People's Army) and NODONG CHONGNYON [names of latter two newspapers as received] which was published on the New Year 1995 reviews the powerful reunification movement waged by the entire fellow countrymen under the wise guidance of the Great Leader President Kim Il-song and the respected General Kim Chong-il last year, and comprehensively expounds the most realistic and reasonable line and policies of the Workers' Party of Korea and the Government of the Democratic People's Republic of Korea to achieve the reunification in the 1990s by accelerating the nation-wide grand march for reunification.

For achieving reunification in the 90s, he stressed, the independent stand should be strictly maintained, the stand for resolving all the problems arising in the movement of national reunification in conformity with the demands and interests of the nation with top priority given to them; and a peaceful climate favourable for the cause of national reunification must be created through an early solution of the practical problems of ensuring peace and security on the Korean peninsula such as setting up a new peace mechanism, defusing military confrontation between the north and south of Korea and decisively checking and frustrating military manoeuvres of various codenames, military provocations and arms

buildup on the part of foreign forces and the South Korean authorities, in accordance with the three principles of independence, peaceful reunification and great national unity, the precious foundation stone and wealth for national reunification.

And the Koreans in the north, the south and overseas should get closely united as one nation, transcending the differences in political affiliation and grouping, political view and religious belief, in accordance with the idea of "10-point programme of the great unity of the whole nation for the reunification of the country," the great charter for national unity put forward by the fatherly leader, and turn out in a vigorous struggle to found a national reunified state, a confederal state, independent, peaceful and neutral, and thus bring earlier the reunification in the 90s, he said.

The actual stumbling-block lying in the way of the national reunification movement of the Korean nation is the splittist and anti-national Kim Yong-sam puppet regime, he said, and continued:

It is clear that, with the Kim Yong-sam group left alone [as received], it is impossible to achieve the unity of the nation and the reunification of the country.

He stated that the Korean Social Democratic Party, which is making active efforts to achieve independent reunification with independence as its political idea, would join in the grand march for national reunification this year for fulfilling the behests of the fatherly leader on reunification mentioned in the joint editorial, under the wise guidance of the respected General Kim Chong-il.

#### **Chondoist Chongu Party Chair**

*SK0601051995 Pyongyang KCNA in English 0433  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 6 (KCNA)—Yu Mi-yong, chairperson of the Central Committee of the Chondoist Chongu Party, in a statement issued to the press on January 4 expressed support for the policy of the Workers' Party of Korea and the Government of the Democratic People's Republic of Korea as regards the reunification of the country propounded in the joint editorial, saying that it reflects the unanimous faith and rockfirm will of all the members of the party and the Chondoists to implement the behests of the fatherly leader Comrade Kim Il-song concerning reunification in the 1990s under the wise guidance of the great leader of the nation General Kim Chong-il.

She said that to put a period to the division of the country and the nation and achieve national reunification in the 90s at any cost is the behests of the fatherly leader and the unanimous desire of all the fellow countrymen.

The national reunification, she noted, should be achieved, come what may, by confederation formula on

the three principles of independence, peaceful reunification and great national unity which were declared as the common programme of the nation for the reunification of the country and the great unity of the whole nation should be achieved to this end.

She said reunification in the 90s is an oath made by our fellow countrymen to President Kim Il-song, the great father of the nation, and a timetable of reunification which brooks no further delay.

She said the desire of the nation to live in harmony in a reunified country will certainly come true under the guidance of General Kim Chong-il, and expressed the determination to invigorate the grand march for reunification in the 90s, true to the 10-point programme of the great unity of the whole nation.

#### **Guyanese Movement Sends Floral Basket to Kim Chong-il**

*SK0601044795 Pyongyang KCNA in English 0426  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang January 6 (KCNA)—A floral basket was presented to the great leader Comrade Kim Chong-il on December 31 by Peter Persaud [name as received], leader of the Amerindian Action Movement of Guyana, greeting the new year. Handing the floral basket to the Korean ambassador to Guyana, Peter Persaud said he deemed it a great pleasure and honour to present the floral basket to Comrade Kim Chong-il on behalf of the Amerindian Action Movement of Guyana.

"The Amerindian Action Movement hopes that Comrade Kim Chong-il will enjoy good health and long life and lead the heroic Korean people to victory in 1995, too," he said. He expressed the hope that all the Korean people will live in a reunified Korea under the wise leadership of Comrade Kim Chong-il.

#### **Kim Chong-il Hailed as Great Commander of Army**

*SK0601052195 Pyongyang KCNA in English 0424  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 6 (KCNA)—Foreign media published articles upon the lapse of three years since the great leader Comrade Kim Chong-il was elected supreme commander of the Korean People's Army [KPA].

The Burkinabe paper L'OBSERVATEUR said in an article titled "Great Brilliant Commander":

"For the Korean people and People's Army with the great leader His Excellency Kim Chong-il as supreme commander of the KPA, his august name is the banner of victory and the symbol of invincibility which give them the conviction of certain victory."

"He is the source of the inexhaustible strength of the Korean People's Army and people to win over any enemy that they have His Excellency Kim Chong-il as supreme commander."

The Pakistani paper AHAN said in an article titled "Military Genius" that His Excellency Kim Chong-il is not only a great statesman but a military genius.

It further said:

"He is a great brilliant commander with outstanding commanding act and rare military intelligence.

"It is the characteristics of his commanding art to successfully resolve all the problems by arousing the masses of soldiers with the strength of human love. He is, indeed, the greatest brilliant commander possessed of all the traits and qualities of an outstanding military strategist on the highest level."

Under the headline "Marshal Kim Chong-il, Supreme Leader of the Korean People and Supreme Commander of the Korean People's Army" Radio Star of Peru said:

The wise guidance of His Excellency Marshal Kim Chong-il is the basic guarantee for the accomplishment of the revolutionary cause of chuche started by the great leader President Kim Il-song and the final victory of Korean-style socialism centred on the popular message.

The Indian paper NEW DELHI TIMES, the Pakistani papers MUSLIM, HAIDER and HABARE, the Nicaraguan paper EL NUEVO DIARIO, the Nigerian paper POINTER, Radio Chitta Aperta of Italy and Radio America of Nicaragua too, introduced the greatness of Comrade Kim Chong-il under the titles "Comrade Kim Chong-il, Supreme Commander of the Korean People's Army," "Outstanding Military Strategist" etc.

#### Talk Stresses People's Faith in Kim Chong-il

*SK0501212895 Pyongyang Korean Central Broadcasting Network in Korean 0923 GMT 4 Jan 95*

[Unattributed talk: "Our People's Firm Faith to Infinitely Trust and Follow the Great Leader [yongdoja]"]

[FBIS Translated Text] Our people and officers and men of the People's Army who are welcoming the new year, 1995, in which a new milestone will be engraved in the struggle to complete the chuche revolutionary cause, are overflowing with yearning for the fatherly leader [suryong] and endless sentiment of admiration, and are firmly resolving the rock-firm pledge to complete to the end the chuche revolutionary cause according to the leadership of the great leader [yongdoja] Comrade Kim Chong-il.

The greater a leader [yongdoja] who is leading the revolution, the more the people have absolute trust in and follow the leader [yongdoja]. Even though the leader [suryong] has passed away, our people are also overflowing with great faith and optimism in the new year

due to the unswerving faith, will, and pride that the respected and beloved Comrade Kim Chong-il exists, who is another great leader [suryong] and peerless great man.

Our people's absolute faith in the great leader [yongdoja] Comrade Kim Chong-il is a lofty ideological sentiment which was formed and consolidated in the course of surpassing and plowing through the generations of the glorious revolution by upholding him, and this is being all the more strengthened with each passing day.

The respected and beloved leader Comrade Kim Il-song has taught: Comrade Kim Chong-il is receiving respect and love from the people as the people's leader [chidoja] due to the leadership and traits which he possesses; loyalty and devotedness which he manifested; and achievements which he accomplished, and he is possessed with high authority.

Highly upholding the great leader [yongdoja] Comrade Kim Chong-il and being loyal and dutiful are an unswerving faith and the most lofty ideological and spiritual trait for our people. There has been no time like today when all the people's faith and loyalty toward their leader [yongdoja] have been enhanced. The ideology of worship and faith of having absolute trust in and following the great leader [yongdoja] is being manifested at such a lofty height because our people deeply experienced in their hearts the greatness and immortal achievements of the respected and beloved General Kim Chong-il.

It is a matter of course that a leader [yongdoja] who truly makes efforts and struggles devotedly for the people is upheld and presented by the people themselves. The great leader [yongdoja] Comrade Kim Chong-il is a true leader [yongdoja] of the people who is possessed with outstanding wisdom, refined leadership, and lofty character. The great leader [yongdoja] Comrade Kim Chong-il regarded himself as a fighter of the leader [suryong] and is devoting everything in the cause to realize the leader's [suryong] lifetime teaching.

Our people have absolute trust in and follow the great leader [yongdoja] Comrade Kim Chong-il. This is most of all based on the fact that they are completely captivated by him from a human point of view. The people worship and follow the leader [yongdoja] in their minds. This is not a matter that is achieved routinely. Moreover, worshipping and admiring a great man from an all social point of view is by no means a moral duty and cannot be achieved through a consequence of 'ogical thought.

The truest and most absolute faith occurs when one is completely captivated by a great man through a human point of view. Then, being captivated through a human point of view cannot occur without the leader's [yongdoja] experience of greatness. Our people had deeply experienced in their hearts over a long period of practical experience in their lives of the great leader [yongdoja] Comrade Kim Chong-il's greatness.

The respected and beloved General Kim Chong-il unfolded the great heyday in all fields of revolution and construction, such as the party and state construction and the economic and cultural construction. Here, our people further firmly consolidated the faith and will to overcome any kind of storm in his outstanding and refined leadership, and fought vigorously in accordance with his leadership.

He is outstanding in ideological and theoretical wisdom; is wise in his leadership; and his virtue is all the more lofty. Therefore, any people carrying out the revolution wants to run and throw themselves in his arms and entrust all their fate to him. This is the great leader [yongdoja] Comrade Kim Chong-il's benevolent bosom. Our people's consistent will and faith today is that they cannot live even for a second apart from his bosom. Therefore, our people eternally have trust in and follow him and are upholding him with loyalty.

Another reason our people have absolute trust in and follow the great leader [yongdoja] Comrade Kim Chong-il springs up from the fact that they deeply experienced in their hearts the greatness of the achievements accomplished while leading the revolution and construction.

A leader [yongdoja] leading the revolution receives the people's support and trust through practical struggle. Today, the people's faith in the great leader [yongdoja] is becoming absolute, which nothing can destroy. This lies in the fact that while plowing through the arduous storms of the revolution, the great General Kim Chong-il made historic contributions that will be elucidated in this world before the fatherland, people, era, and the revolution.

While walking a proud revolutionary road according to the respected and beloved General Kim Chong-il's leadership, our people were able to directly witness and experience how a change was brought about in the revolution and construction and how misfortunes were turned into blessings and unfavorable conditions were changed into favorable conditions through him.

By advancing under the leadership of the great Comrade Kim Chong-il, our people were able to possess the pride of a victor and manifest to the whole world the high honor and dignity. The achievements by the great leader [yongdoja] Comrade Kim Chong-il were accomplished through the arduous and complicated revolutionary struggle by being wholly responsible for the fate of the fatherland and nation. Thus, it is filled with extraordinary profound and encyclopedic contents. It also has eternal vitality and driving force. Each one is a more brilliant accomplishment calling forth all the people's praise.

As such, we do not know of a leader [yongdoja] who accomplished achievements, which will be elucidated in this world, and abundant experience. While looking back with pride at the courses in which the revolution was carried out by upholding the great leader [yongdoja], our

people were able to further deeply carve in their hearts that there is nothing to be afraid of in this world and there is nothing that cannot be accomplished as long as we uphold the respected and beloved General Kim Chong-il.

Our people's worship and faith in the great leader [yongdoja] General Kim Chong-il also spring up from the absolute faith that the respected and beloved Comrade Kim Chong-il is wholly responsible for and brilliantly leads their fate and future. Today the pillar of faith that the great leader [yongdoja] Comrade Kim Chong-il is their fate and future is firmly taking place in our people's hearts. Therefore, our people are singing with their hearts: If you are not here, there is no fatherland, and are having trust in and following the respected and beloved General Kim Chong-il, who is wholly being responsible for and leading their fate, as heaven.

For our people, the respected and beloved Comrade Kim Chong-il is not only the leader [yongdoja] of the revolution but is also a great teacher and benevolent father. He is solving all problems arising in the revolution and construction through the people's love and faith.

Love and faith toward the people is a fundamental feature of the respected and beloved Comrade Kim Chong-il's politics. All of our people's firm creed in life is that there can be no fate and future, and any pride and honor in life apart from the bosom of the great leader [yongdoja] who is carrying out the politics of benevolence.

The great leader [yongdoja] Comrade Kim Chong-il's esteemed name is our people's pillar of mind and an ever-victorious banner always calling forth the people toward struggle and feats. Through history and reality, our people are of the firm faith that if only the great leader [yongdoja] Comrade Kim Chong-il, who is possessed with wisdom of keen insight, refined leadership, iron-like will, peerless courage, and lofty virtue, exists, they can easily defeat any strong enemy that flings upon us, and have firm faith that the chuche revolutionary cause pioneered by the respected and beloved leader [suryong] can be brilliantly completed.

All of our victories and glory lie on the road to infinitely having trust in and follow the great leader [yongdoja] Comrade Kim Chong-il. Also, our people have the firm faith that there is a decisive guarantee to firmly advocate, adhere to, and elucidate a socialism of our own style centered on the popular masses. This cannot be changed even with the passage of time and it cannot be destroyed by anything at all.

A leader [yongdoja] gives faith and love to the people, and the people have absolute trust in and follow their leader [yongdoja]. This is the unity achieved between the leader [yongdoja] and the people. Here lies the source of strength of our revolution's invincible victory.

Under the wise leadership of the great leader [yongdoja] Comrade Kim Chong-il, who is a genius of a man and a great man of the times, our people will brilliantly embroider this significant year—the 50th anniversary of the founding of the Workers' Party of Korea and the 50th anniversary of the fatherland's liberation—with newer victories and feats.

### **Workers Urged To Follow 'Socialist Emulations'**

*SK0601110395 Pyongyang KCNA in English 1007  
GMT 6 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 6 (KCNA)—The employees of the Chollima steel complex, the Namhung youth chemical complex and the Sinuiju textile mill held meetings and challenged the metal, chemical and light industrial workers across the country to socialist emulations in order to step up the general march of the new year.

The reporters and speakers at the meetings stressed that their revolutionary tasks were difficult and vast, but victory was certain with the great leader Comrade Kim Chong-il standing in the van of the revolution, and vowed to effect a great turn in accomplishing the revolutionary economic strategy of the party for this year, closely united around it.

Resolutions were adopted and outlines of the socialist emulations were made public at the meetings.

### **Choe Kwang Addresses Soldiers Rally on 4 Jan**

*OW0501093895 Pyongyang KCNA in English 0421  
GMT 5 Jan 95*

[“Meeting of Servicemen”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 5 (KCNA)—The Ministry of the People's Armed Forces held a meeting of servicemen on January 4 to vow to dynamically step up the general advance this year, united in one mind around supreme commander of the Korean People's Army Comrade Kim Chong-il, the great leader of our party and our people.

Choe Kwang, vice-chairman of the National Defence Commission of the Democratic People's Republic of Korea and chief of the General Staff of the Korean People's Army, delivered a report at the meeting, which was followed by speeches.

The reporter and speakers said that this year is not only a historical year in which fall the 50th anniversaries of the foundation of the Workers' Party of Korea and the country's liberation but also a year of great significance in the building and activities of the People's Army.

They called for bringing a new turn in the strengthening and development of the People's Army into ranks unfailingly loyal to the party and into a matchless and ever-victorious strong army by dynamically stepping up the

general advance this year, united in one mind around the Great Leader Comrade Kim Chong-il.

They declared that the revolutionary cause of chuche is sure to be accomplished and national reunification is sure to be achieved and there is no force in the world to compare with them in strength as long as there are the wise guidance of respected supreme commander General Kim Chong-il and the Army and the people who are closely united around him.

A resolution was adopted at the meeting.

### **Kanggye Station Increases Electricity Production**

*SK0601082495 Pyongyang Korean Central  
Broadcasting Network in Korean 1200 GMT 4 Jan 95*

[FBIS Translated Text] Fierce flames for increasing electricity power production are ablaze at Kanggye youth power station from the beginning of the New Year.

Upholding the party's intention reflected in the joint editorial published by the papers, workers at this station have unanimously risen to overfulfilling the first combat plan by over 20 percent. Not relaxing the spirit displayed in this struggle, they are constantly effecting an upsurge in electricity power production.

The combatants at the No. 1 generator workshop with the double three revolutions red banner, satisfactorily managed their facilities and technology and, operating the facilities fully, produced hundreds of thousands of kilowatts of electricity more than their plan on the first day of the New Year to thus effect innovations.

### **South Korea**

#### **Seoul To Use Team Spirit as 'Bargaining Chip'**

*SK0601001895 Seoul CHOSON ILBO in Korean  
6 Jan 94 p 3*

[Report by correspondent Yu Yong-won]

[FBIS Translated Text] It was learned on 5 January that the government will push ahead with this year's Team Spirit exercise if North Korea does not faithfully implement the U.S.-North Korea agreement concluded in Geneva which stipulates the dismantlement of North Korea's nuclear facilities.

On the 5th, one high-ranking government source stated: "The government has recently decided to use the Team Spirit exercise as a bargaining chip against North Korea so that Pyongyang will faithfully implement the U.S.-North Korea agreement. In case North Korea does not faithfully implement the agreement, we will push ahead with this year's exercise."

The source added: "Of course, if North Korea faithfully implements the agreement, we will not conduct Team Spirit exercises, just as we did last year."

Such a government policy means the Team Spirit exercise, a purely military drill, has taken its own place as a political bargaining chip connected with North Korea's nuclear development. In this regard, it seems that some in the military will strongly urge conducting an alternative exercise or for intensifying other ROK-U.S. joint exercises in preparation for circumstances in which the Team Spirit exercise is not conducted.

**U.S.-DPRK 'Unprincipled Channels' Criticized**

*SK0601111895 Seoul SEOUL SINMUN in Korean  
6 Jan 95 p 1*

[FBIS Translated Text] The government will coordinate a firm position on the various and unprincipled channels between North Korea and the United States and the U.S. negotiations with North Korea to repatriate a U.S. helicopter pilot, which it will then convey to the U.S. side via a diplomatic channel.

The government plans to convey to the United States that all military contacts between North Korea and the United States should first be made within the framework of the present Military Armistice Committee, and that it would be awkward to "establish a military hot line between North Korea and the United States"—which the United States has reportedly agreed upon—because it will offend the sovereignty of South Korea.

A relevant government official stated on 5 January: "Since the U.S. helicopter incident, North Korea has continued to show its objective to break off ROK-U.S. relations and to hold political negotiations with the United States. Therefore, the government feels the need to establish principles regarding North Korean-U.S. negotiations." He continued: "All military contacts between North Korea and the United States, including the expected upcoming North Korean-U.S. disarmament talks, should be made within the framework of the present Military Armistice Committee," and that "the government decided to convey its position to the United States."

The official stressed: "The establishment of a hot line between North Korea and the United States—which the United States has reportedly agreed upon in the course of the negotiations for the repatriation of the pilot—will offend the sovereignty of the country because it will be set up in ROK territory. Therefore, the government has decided to convey its opposition to the United States. The establishment of a hot line between North Korean and U.S. military authorities should not be made before establishing a hot line between the North and South Korean military authorities, which is stipulated in the North-South basic agreement."

The government plans to convey its firm position and principles to the United States soon via a diplomatic channel on the various contacts between North Korea and the United States. Also, it has reportedly decided to ask the United States to declare openly our government's position.

The official added: "With the approach of the February negotiations between North Korea and the United States regarding the supply of light-water reactors and the opening of liaison offices, the U.S. side is expected to notify North Korea that there would be many difficulties in improving relations between North Korea and the United States, if no progress has been made in North-South dialogue."

**U.S. Ambassador's Remarks on Kim Chong-il Cited**

*SK0601045995 Seoul YONHAP in English 0455 GMT  
6 Jan 95*

[FBIS Transcribed Text] Washington, Jan. 6 (YONHAP)—Kim Chong-il, son of the late North Korean leader Kim Il-song, appears to be in charge even though he has not officially taken office as president, U.S. Ambassador to South Korea James Laney said Thursday.

Laney, in the U.S. capital for the beginning of the year, made the observation at a meeting on the Korean peninsula sponsored by the World Affairs Council here.

It is difficult to understand why Kim Chong-il has not succeeded to the post of president yet, he said, but the speculation that he does not want to be god-like like his father is the most logical explanation.

Laney said he believes that Kim Chong-il is now in power despite various rumors about him.

Commenting on the resumption of inter-Korean dialogue, the ambassador said it is clearly an important issue. In fact, the reopening of inter-Korean dialogue is automatically linked to implementation of the agreed framework between Washington and Pyongyang, he said.

Laney added that the United States needs to study South Korea's reaction to this agreed framework.

**Honam Official on Oil Delivery to DPRK Plan**

*SK0601060995 Seoul YONHAP in English 0549 GMT  
6 Jan 95*

[FBIS Transcribed Text] Yochon, South Cholla Province, Jan. 6 (YONHAP)—The first 50,000-ton batch of heavy oil being supplied to North Korea under its nuclear accord with the United States will be loaded at the Yochon plant of Honam Oil Refinery Co. here.

An official at Honam Oil Refinery's Yochon plant said Friday that the loading of the heavy oil aboard a tanker will begin at the Yochon facility next Wednesday, and that the tanker is scheduled to depart Yochon port on Jan. 15 and arrive at the North's Sonbong port, North Hamgyong Province, on or around Jan. 21.

What nationally flagged tanker that will be hired for the shipment has yet to be decided, he said.

The heavy oil to be shipped from Honam Oil Refinery's Yochon plant will be used as fuel at a thermal power plant, the official said.

### **Japanese, DPRK Diplomats Said Negotiating Ties**

*SK0601040095 Seoul KBS-1 Radio Network in Korean  
0310 GMT 6 Jan 95*

[YONHAP from Tokyo]

[FBIS Translated Text] A high-ranking official of the Japanese Foreign Ministry revealed on 5 January that Japanese and North Korean diplomats are holding secret contacts to resume negotiations on normalizing diplomatic ties. The official said the two sides were making telephone contacts but did not reveal the place of the contacts. It is speculated that the contacts are being made in Beijing, Geneva, or Vienna where influential North Korean diplomats are posted.

### **'Drastically' Decreased North Arms Exports Noted**

*SK0601013895 Seoul THE KOREA TIMES in English  
6 Jan 95 p 3*

[FBIS Transcribed Text] North Korea's export of military weapons has decreased drastically since 1990 when the United States began strictly restricting missile sales on the international market.

This was in sharp contrast to before 1984 when the North recorded a high ratio of military export in its total exports amount. For instance, North Korea's export of military materials accounted for 36.8 percent of its total exports in 1982 and 35.9 percent in 1984, thanks to a boom in its missiles exports to Middle East nations.

The rate nose-dived to 7.9 percent in 1990.

This was reported in a research paper submitted by Prof. Hwang Chin-han of the Korea Military Academy to the Defense Ministry.

In the paper, contained in a book published by the ministry yesterday on current defense issues, Prof. Hwang said that North Korea briskly purchased weapons such as armored personal carriers, missiles and fighter aircraft from the former Soviet Union until the mid-1980s.

"But its military procurement sharply decreased from 1988 when transaction by cash was also introduced in the trade among communist countries," he said.

The North imported no military weapons in 1992.

Prof. Hwang explained that the huge financial burden might have slowed the North's weapons procurement program.

"At the same time, the North might not have felt the need to buy weapons because it has the capacity to develop arms for itself," Hwang said.

Hwang said the North has outpaced South Korea in total investment in military buildup since 1962, although the latter began to spend more money on defense war capability starting in 1976.

This means that the North has been more active than the South in beefing up its military combat capabilities, spending more money for procurement and development of military weapons.

The aggregate amount of North Korea's investment in building military strength from 1962 to 1993 amounted to 52.48 billion dollars, while that of South Korea's marked 44.71 billion dollars.

### **\* Kim Chong-il's Ruling Style Analyzed**

*942C0200 Seoul NAEWOE TONGSIN No 910 in  
Korean 21 Jul 94 pp A1-A4*

As the Kim Chong-il era begins, attention is focused on what Kim Chong-il's ruling style will be. Kim Chong-il has indirectly ruled North Korea since 1974, when he was designated as the successor of the 'leader'. Especially, after he was made the official successor at the sixth-term plenary session of the party in October 1980, he has been trained publicly and thoroughly as the successor with the absolute support of Kim Il-song. Practicing 'on the spot guidance', which is known as a unique policy guidance method of Kim Il-song, under the name of 'practice guidance', and building an image as a ruler through personal contacts with the residents, are specific instances. After becoming the official successor, Kim Chong-il is known to have conducted 'on the spot guidance' (practice guidance) on more than sixty occasions, which were characterized as having been concentrated on the areas of light industry and issues directly related with people's living. However, North Korean broadcasts (CHUNGANG, Feb 13, 92), alleging that Kim Chong-il had already conducted various types of policy-guidance activities since the 1960's, disclosed that he had conducted on the spot guidance at more than 1,350 different places, including 310 factories and industries and more than 200 cooperative farms as of 1992. Also, there was an occasion when such policy guidance activities were referred to as 'on the spot guidance' through a broadcast in February 1984 (PYONGYANG, Feb 28, 84). However, until January 1990, they were generally distinguished from Kim Il-song's 'on the spot guidance' and referred to as 'practice guidance'. Then, all the propaganda media began to use the term 'on the spot guidance' for Kim Chong-il also since January 7, 1990, when the party organ NODONG SINMUN used 'on the spot guidance' for him, too. This coincides with the fact that the manner of addressing Kim Chong-il has been upgraded almost to the level of that of Kim Il-song since the 1990's and this indicates that Kim Chong-il has acted as actual ruler since that time.

### **More Than 1,350 'On-The-Spot Guidances' Alleged**

Besides such image building as a ruler through on-the-spot guidance activities, in the course of intensifying

Kim Chong-il's status as the successor, North Korea, as well as fabricating his personal image, has attempted to distinguish his ruling style from that of Kim Il-song. For Kim Il-song, focus was directed on the 'past' history such as idolizing him as 'a national hero' by glorifying his anti-Japanese fighting, but for Kim Chong-il, they have built up for the future by concentrating on his 'present' quality as a leader, such as emphasizing his personal 'ability' and 'personality'. In view of this, there is a great possibility that the future ruling style of Kim Chong-il, while partially succeeding Kim Il-song's ruling style, will be unique and new, and will be intensified. In this case, the ruling style they would publicize first before any other style would be 'benevolent ruling'. We can draw this analogy from the fact that North Korean propaganda media, while urging loyalty for Kim Chong-il, emphasized that Kim Chong-il 'makes it a principle to serve the people from beginning to end' (Radio Pyongyang, Jul 11, 1994), citing 'love and trust' as characteristics of Kim Chong-il's political style. According to a North Korean allegation, benevolent ruling is a unique North Korean-style socialist ruling and is different from ordinary benevolent government. In other words, benevolent ruling is a ruling style that the 'leader', who is totally responsible for the fate of the people under the North Korean-style socialism, executes all policies with love and trust for the people.

#### Benevolent, Broad-Scale Ruling Emerges as New Way

Benevolent ruling was first introduced through an editorial in the January 28, 1993 issue of NODONG SINMUN (the party organ) as Kim Chong-il's ruling style, and personal letter writing, celebrating and congratulating people's birthdays and weddings by providing party tables, expressing and conveying appreciation to the workers, providing transportation to people living in mountainous remote areas and for emergency patients, are cited as specific instances. North Korea is also publicizing broad-scale government as Kim Chong-il's ruling style, which is to emphasize the ruling scale of Kim Chong-il. It was named so for the 'boldness and broadness in scale' of Kim Chong-il in guiding all businesses. Broad-scale ruling also was introduced in an editorial of the January 28, 1993 issue of the NODONG SINMUN along with benevolent ruling. The newspaper introduced broad-scale ruling as a new ruling style of Kim Chong-il in emphasizing that 'government administration for the people should be broad in its scale' and 'party ruling for the working class should be broad in all aspects.' However, North Korea has called the policies guided by Kim Chong-il as 'broad-scale policies' before it introduced Kim Chong-il's ruling style as broad-scale ruling.

Therefore, broad-scale ruling, along with benevolent ruling, is an elevated name for what had been called 'broad-scale policies' in order to elevate the status of Kim Chong-il as the ruler with the Kim Chong-il era ahead. North Korea cited construction of large monumental structures and facilities such as the Chuche

Ideology Tower, the arch of triumph, the Ryukyong Hotel, and the May 1 Stadium, in addition to such actions as encouraging women to wear colorful clothes and use lipstick, and authorization for playing light music by groups such as the Bochonbo Light Music Band, as examples of Kim Chong-il's broad-scale ruling. In view of these, it seems that Kim Chong-il, besides partially repeating Kim Il-song's ruling style such as on the spot guidance, will introduce his own unique ruling style, namely benevolent and broad-scale ruling. Also it seems that efforts will be made to stress ideology in order to make up for his lack of charisma compared to Kim Il-song. In that case, there is a possibility that it will either introduce 'our way of socialism' based on the chuche ideology or 'Kim Chong-il Ideology', which so far has not been mentioned.

#### \* Reasons for DPRK Agitation Rallies Analyzed

942C0171A Seoul NAEWOE TONGSIN in Korean No 899 12 May 94 pp C1-C4

[FBIS Translated Text] [Seoul - Naeoe] Since the beginning of this year North Korea has held agitation rallies of various group categories one after another, which has attracted our attention. Nationwide agitation rallies for people of various group categories held by North Korea since the beginning of the year to early May amount to as many as 10 all together, even without counting the rallies related to social organizations such as the Occupational League, the Farmers and Workers League, the Women's League, and the Socialist Laborer Youths League. This is as many as twice the number compared to the five all together, nationwide agitation rallies held during the same period last year. If we take a more detailed look, starting with the 'Nationwide Rally of the Propaganda Workers of the Occupational League' held on January 18 at the Central Workers Hall in Pyongyang, the 'Nationwide Rally of the Movie Distribution Workers' (January 25-26), the 'Nationwide Rally of the Farmers' (February 25-28), the 'Nationwide Rally of the Party Ideology Workers' (March 9-10), the 'Nationwide Rally of the Trade Workers' (March 15-16), the 'Nationwide Rally of the Party Cell Secretaries' (March 31-April 2), the 'Nationwide Rally of the Natural Science Enthusiasts' (April 8-10), the 'Nationwide Rally of Coal Industry Enthusiasts' (April 20-22), the 'Nationwide Rally of Stockbreeding Workers Enthusiasts' (April 28-29), and the 'Nationwide Rally of the Chairmen of May 3 Loyalists Exemplary Elementary Organization' (May 3-4). North Korea also continuously held rallies of regional and occupational subordinate organizations on every possible occasion. For example, such as holding agitation rallies at all regional levels and for all different category of occupations for accomplishment of goals set in Kim Il-song's new year address and holding rallies to encourage increased production of coal at each different level coal mine industries after holding the 'Nationwide Rally of the Enthusiasts of Coal Industry.' Along with this, it urged strenuous exertions of related workers in such means as report meetings or research symposium

on such occasions as the anniversaries of either publications of written works or on-the-spot guidance by Kim Il-song or Kim Chong-il. It is noteworthy that more report meetings and research symposiums are especially related with Kim Chong-il. North Korea has frequently held agitation rallies in the past, too, in order to urge people to participate in labor mobilization and to intensify ideological armament whenever there was an opportunity. Therefore, it is routine for North Korea to hold agitation rallies and this fact alone does not deserve particular attention. However, it draws our attention because not only its frequency is higher this year compared to previous years but also the rallies are held for issues in which not so much interest had been shown in the past. \*Ten Nationwide Agitation Rallies held Since This Year The fact that North Korea has held agitation rallies more frequently this year has been proven in the earlier mention above. Among the ten nationwide agitation rallies held this year, the party cell secretaries rally was held for the first time in history and 'the nationwide rally of the enthusiasts of the coal industry' was held for the first time in thirty years since 1964. The superficial reason North Korea is frequently holding agitation rallies this year so frequently as this is to urge achievement of goal set for accomplishment of the new economic strategy disclosed at 6th term 21st plenary session of the Workers Party in December last year. North Korea at that time admitted that its third seven year plan had failed and stated that it will execute the policy of placing agriculture, light industry, and trade on the first priority for the next two to three years, considering the period as an economic buffer period. Accordingly, North Korea placed its first objective in urging members of various category of different groups through these agitation rallies to lead accomplishment of tasks presented at the plenary session of the party. However, it is our analysis that contrary to such superficial purposes the more fundamental reason why North Korea is frequently holding these agitation rallies is because it is feeling danger of the regime because of the serious economic difficulties and because people's ideological instability is prevalent and that these actions are reflection of such fears. That is, there is an unrevealed reason for holding these agitation rallies one after another recently and we believe it is fear: fear of danger to the preservation of the regime. Furthermore, it is also our analysis that the fact that it proclaimed last year as a new economic strategy to place agriculture, light industry, and trade on the first priority was originated out of fear that a serious situation might develop if they did nothing about the food shortage which was the worst ever in its degree and in the shortages of daily necessities. That could bring about a serious situation and result in danger to the regime.

#### Aimed at Urging Loyalty, Reflecting Sense of Danger to Regime

The sharp increase in the number of North Korean residents escaping out of the country at the risk of their lives, who are barely surviving on grass roots and tree bark as a result of the recent discontinuation of food

rationing, at the risk of their lives, might have worked as one of the factors which made the North Korean authority pay attention to preserving the regime. Accordingly, such a sense of danger is reflected in the process of urging related personnel through agitation rallies of various groups. In connection with the nationwide party cell secretaries rally held on April 2, North Korea claimed, 'This rally is a rally of conviction demonstrating our party's firm resolution to crush the antisocialistic machinations of the imperialists and the reactionaries against the Republic, and to accomplish the socialism of our own style to the end.' Thus, it revealed that this rally was to solidify the regime. Also at the nationwide rally of the enthusiasts of the coal industry which was held for the first time in 30 years, North Korea claimed that the coal industry was the key to the success of the new economic strategy, emphasizing that the coal industry was the lifeline for opening a breakthrough in accomplishing the new economic strategy, including the placement of agriculture, light industry, and trade as the first priorities in the congratulatory message sent to the rally. Accordingly, North Korea awarded more than 2,700 coal industry workers en masse, and encouraged everyone who participated in the rally by passing out a 'present' to each one from Kim Chong-il. Not only at the nationwide rally of the enthusiasts of the coal industry but also at most other such rallies, North Korea emphasized the importance of the particular industry in a similar tone and awarded the workers en masse. The fact that most of the nationwide agitation rallies held this year are concentrated on agriculture, energy, and science technology, which are weak points of the North Korean economy, is a fact revealing that North Korea is feeling a heavy burden from the current economic difficulties. And, North Korea made it clear that the purpose of the agitation rallies held one after another was to urge loyalty for the Kim Chong-il regime, as well as for economic issues, by especially urging everyone to solidify around Kim Chong-il as they showed great interests in intensifying the ideological indoctrination of the people while focusing on the economic issues at the agitation rallies of various groups. North Korea revealed its urgency for promoting people's personal loyalty to Kim Chong-il as successor to Kim Il-song. At the nationwide party cell secretaries meeting held on April 2, Kim Il-song strongly urged the participants to be totally loyal to Kim Chong-il, while praising him by saying, 'He has the dignity and quality to be the people's leader,' in his congratulatory message. It is our analysis that North Korea is utilizing agitation rallies as a means to solve internal problems under the circumstance of being pressed with problems at home and abroad such as the nuclear issue, the worst ever food shortage, and the increasing discontent of the people against the regime. However, because the people's hearts have already deserted the regime and are continuing to become more disaffected, such means utilized by North Korea to solve the internal problems will only end up as a meaningless repetition of 'Sisyphus' work.'

**President Kim Gives New Year Policy Statement**

*SK0601023095 Seoul KBS-1 Television Network in  
Korean 0000 GMT 6 Jan 95*

[Statement by ROK President Kim Yong-sam during New Year's news conference at Chongwadae, presidential offices, in Seoul—live]

[FBIS Translated Text] Dear fellow countrymen: We have greeted a new year of vigorous march for the world and the future.

I hope this year will be a year filled with greater joy and worthwhile life to you all.

It is the third year since the civilian government came to office. During the short period of less than two years, we made a great stroke in the history of the nation.

We amended the Public Servant Ethics Law, freshened military personnel, and put the financial real-name transaction system into practice.

Last year we formulated the law for political reform and implemented the reorganization of the government structure. The fierce waves of change and reform have basically changed the shape of the nation.

Today, our entire society is overflowing with new vigor and vitality. The economy has entered into the orbit of steadfast growth on a secure foundation.

As shown during the summit of the Asia-Pacific Economic Cooperation [APEC] council, our international position has been remarkably enhanced.

All this is a precious fruition gained through the blood, sweat, and tears of you, the people.

Taking this opportunity, I extend deep appreciation to all of you, the people.

Dear fellow countrymen: This year marks the 50th anniversary of national liberation. As we recall the past, we note the past 50 years was a period that not only offered us difficulties but provided us with great achievements.

We achieved prosperity from the wasteland of war, and fostered a civilian government and democracy even amid the restrictions of division. Clearly, this is proud a achievement for us all.

However, it is not the time for us to indulge in self-praise for such achievements. Together with joyful emotion for national liberation, the tragedy of our nation's division has been persistent for a half century.

The year 1995 should be a year when we conclude history and prepare for the upcoming new century on a full scale.

We must build a new ROK, a top-ranking state of the 21st century, which rises high in the center of the world

after becoming one nation, and which leads the civilization of (?mankind) at its van.

This should be the resolution of all of us on the occasion of the 50th anniversary of national liberation.

However, fierce challenges are coming round before us who are striving to achieve this cause. A new trend of the times called the information-oriented age is making the earth one, thus changing the world.

A new milestone has also been established in the order of the world economy. The World Trade Organization [WTO] system set sail five days ago. Now, the world has become a stage for unlimited competition. A dire reality, in which only the people who move out into the world can survive, has arrived.

The order in our surrounding area of Northeast Asia is also rapidly changing. A new order, which differs fundamentally from that of the Cold War era, has begun to take hold in this region.

All of these developments rush toward us simultaneously. Of course, this is an opportunity to us, as well as a tremendous challenge to us. So in reality, now is the time when a new attitude and a new resolve are required.

Fellow citizens:

Globalization is the shortcut which will lead us to building a first-class country in the 21st century. This is because the I revealed my plan for globalization and the government has concentrated all of its energy in forging ahead with it. It is aimed at realizing globalization in all sectors—politics, foreign affairs, economy, society, education, culture, and sports. To this end, it is necessary to enhance our viewpoints, way of thinking, system, and practices to the world-class level.

Globalization cannot be achieved by itself overnight. Globalization requires of all of our painstaking efforts, strenuous patience, and genuine courage. We have no choice other than this. In this connection, I would like to submit globalization as my state policy goal for this year.

My fellow citizens:

In pushing for globalization, the most urgent task is to increase the government's competitive power. The organization should be simplified; administrative quality should be increased; and officialdom's environment should be renewed.

The restructuring of the government's organization and the personnel reshuffle, which were conducted at the end of last year, are only the beginning.

The government should do more work with a smaller staff. The efforts to increase the government's competitive power should be followed, step-by-step, with similar efforts by local autonomous organizations, government-invested corporations, public organizations, and educational and research institutions.

Officialdom should be bursting with vigor and pride. Meritorious services provided thus far by government officials, resulted in the brilliant economic development, and this ought to be evaluated highly.

This notwithstanding, no organization without competitive power can survive. I will see to it that the officialdom, too, drastically introduces the principle of competition; actively recruits competent people; and selects a wide range of specialists.

In order to win love and trust from citizens, government officials should possess a high sense of moral values. The government will incessantly work hard to eradicate corruption until corruption in the officialdom is uprooted. No irregularities will be tolerated. In particular, irregularities involved in tax administration will be pursued to the end, and will be rooted out without fail.

I will continuously improve the treatment of government officials, thereby helping every government official to work with pride.

The second task in this year's state policy goal is to open the era of local autonomy. Local autonomy, which will be put into practice this year, will serve as the key to enhancing democratic reform, which we have so far achieved, to a higher level. A wholesome era of local autonomy can be unfolded when clean and fair elections are held.

I will see to it that the combined election law is strictly applied so that a revolutionary change can really be brought about in the upcoming local autonomous government elections.

I advise all of you citizens to be watchers for clean elections, thereby taking the road to becoming victors.

My fellow citizens:

The third task in this year's state policy goal is to help our economy increase its own competitive power on the firm basis of stability.

With this year as a turning point, the era in which the per capita national income will amount to \$10,000 and the total volume of exports will total \$100 billion will open. Our goal to join the world's top 10 economic powers will be attained in the foreseeable future.

Last year, we saw our economy stabilize commodity prices below 5.6 percent; achieved a high level of growth of 8 percent; and saw a 17 percent increase in the volume of exports. This year, too, I expect that the economy will turn out to be steadfast, solid, and brisk.

The globalization of our economy cannot be achieved without stabilization in commodity prices. This year, too, I will see to it that commodity prices are stabilized below 5 percent—which is lower than last year—thereby establishing an advanced country-style structure of stabilizing commodity prices in two to three years.

I will more drastically ease the relevant restrictions so that our enterprises can engage in free and fair competition within our country first.

By pushing ahead with opening up and with financial autonomy, we will promote the competitiveness of the financial industry and reduce the financial burdens of enterprises.

We will further systematically expand social overhead capital, a very important task for enhancing the competitiveness of our economy.

In addition, we will powerfully advance science and technology into top-ranking levels, and will push for their globalization; we will consolidate the foundation on which our nation can enter the rank of technologically-advanced nations.

This year we will launch "Mugunghwaho," the telecommunications satellite; as the result, our intelligence and telecommunications will open a new horizon.

We will further intensify the policy for promoting the competitive power of small and medium enterprises that are suffering difficulties owing to changes in the economic condition.

There is another important task in upgrading the competitive power of our economy. That is peace within industries. We will make utmost efforts to promote the quality of workers' living and to enhance competitiveness by solidifying worker-management cooperative relations.

Last year, we provided a large-scale framework for reforming the agricultural policy by establishing a new tax system for the benefit of farmers and fishermen.

In the new year, we will work out plans more concretely for reform in agricultural policy, and will make best efforts so that our agriculture and fisheries have international competitiveness.

The fourth task in the state administration is to secure stabilization of the people's livelihood and promote its quality.

The issue of the people's livelihood is a primary task of the government. The government will direct its utmost efforts to protect the people from crime and from the danger of various accidents.

The government will steadily improve medium and long-range projects, such as traffic and the environment, as well as domains requiring investment.

Social welfare befitting growth should now be realized. The government will attach a greater importance to upgrading the welfare of the vulnerable class, including disabled persons and the elderly.

Nothing is as important for globalization as education. Education befitting the new era should be education which attaches importance to value of life and fosters

creativity, variety, autonomy, and progressiveness by getting rid of old uniforms and entrance examination-oriented education.

Education should be carried out in such a way as to rear men who are capable of advancing toward the world with pride and open-mindedness.

Based on this principle, the government will actively push ahead with educational reform. One cannot win in competition merely by imitating others. An ROK-orientation is the basis for globalization.

This year, our cultural policy will focus on confirming the high standard of our culture throughout the world and spreading that culture at a fast pace. Sports should belong to all the people. Utmost efforts will be exerted so that all the people can enjoy sports as well as culture.

Fellow countrymen, the fifth task of this year's state administration is to undertake a practical development in achieving reconciliation and cooperation between the South and North. This year marks the 50th anniversary of the division of our nation. If the South and North remain divided and continue in confrontation and hostility, we cannot seek a fair role and position in the world. In this regard, reunification is the goal of, as well as the means for, globalization.

North Korea should change for the future of the nation. In order for North Korea to get out of isolation and stagnation, it should reform and open up itself, and ultimately enter the road of democratization.

We will assist North Korea in building the light-water reactors as part of the joint project for the development of the nation. At the same time, we will take step-by-step measures to activate inter-Korean economic cooperation to promote national well-being.

Discussion between the parties concerned of the South and the North is essential for economic cooperation, not to mention resolving the pending issues between the South and the North, including the implementation of the joint declaration on denuclearization and building a peace regime [pyonghwa cheje] on the Korean peninsula. I hope that the new North Korean leadership will undertake with us the road of preserving peace on the Korean peninsula and building a national community [minjok kongdongche] as soon as possible.

If North Korea makes it a daily practice of slandering the South and denying the nation's aspirations, I assure this will never benefit North Korea. In the drastically changing security situation, I will ensure that our army's capability for modern war is greatly improved to the extent that our army becomes a picked and strong army that safeguards peace and fulfills its missions. Our army has marked a turning point of self-dependent defense by repatriating peace time operational control. The government will do its best to enhance military morale and establish healthy discipline.

The sixth goal of this year's state administration is to actively pursue foreign relations aimed at globalization. Our foreign relations should build a coordinate system in the world and should lead globalization. We should enhance our international position by fulfilling responsibilities and roles that corresponds with our national strength, and by actively participating in the newly formed international order. We will more actively participate in UN peacekeeping activities.

At the same time, we will prepare to join the Organization for Economic Cooperation and Development. We will also make even greater efforts to help developing countries. At the same time, we will develop foreign policy, which is flexible and serves practical interest to the country and to the world.

My dear fellow countrymen: Politics should be exemplary of all things. Politics henceforth should consider what the people want. We should conduct politics for the ~~welfare~~ ~~well-being~~ of the people relieving the people of their ~~suffering~~ and looking after all aspects of the people's ~~lives~~.

We must conduct politics that are competitive with constructive alternatives and policies for the advancement to the world and the future. We must conduct politics of integration [tonghabui chongchi] in which all becomes one for the future of the country and the nation transcending differences between regions, strata, generations, and political factions.

Politics that neglect people's livelihood indulging in the past or habitually engaging in confrontation are politics of the old era. I hope that we will be able to initiate big and splendid politics the country and the people want.

My dear fellow countrymen: Let us all make this year of marking the 50th anniversary of national liberation a turning point for a new start advancing to the world and the future. In so doing, let us make the year 1995 a historic year of solidifying a firm foundation for globalization.

Let us make the launching of the WTO system an opportunity for a great leap of the nation.

We can become a proud generation creating a leading country of the 21st century. I reiterate: We must create a new Korea through globalization to preserve the existence of all of us and to expedite the prosperity of the nation. For this, change and reform will continue without interruption. Unless they change in this rapidly evolving situation, no individual, no group, and no state will be able to avoid falling behind.

With our nation, our country, and our offspring in mind, I will make my utmost efforts and do my best as president. Let us all advance to the world and the future fast and vigorously shoulder to shoulder.

Thank you.

**Holds New Year News Conference**

*SK0601055395 Seoul KBS-1 Television Network in Korean 0027 GMT 6 Jan 95*

[New Year's news conference by President Kim Yong-sam with foreign and domestic correspondents at Chongwadae, presidential offices, in Seoul—live]

[FBIS Translated Text] [Kim Song-su from YONHAP] Mr. President, you stressed in your speech the need for reforms in the political arena and mentioned the need for politics for the people's livelihood, politics with competitiveness, and politics of integration. What is the meaning of politics of integration in connection with the trend of the political situation in the years to come? Would you explain it in detail?

[Kim] There are many different voices in the political arena. So, I think it is very important to put these various different voices together. Of course, politics cannot satisfy all people. I think that making efforts to accept these different voices and integrate them to the maximum is one of the important tasks of politics. This was what I meant in my speech.

[Kim Chang-ki from CHOSON ILBO] The people are calling for a political reform. I understand that the Democratic Liberal Party [DLP] is now pushing ahead with party reforms to meet this demand. What do you as president of the DLP think of this? In particular, will the present Kim Chong-pil party system continue in the future, too? Will the spirit of merging the three parties [the defunct Democratic Justice Party, the Democratic Party, and the New Republican Party] continue as well?

[Kim] I already advocated last year the need for globalization. We must advance toward globalization. As I emphasized a few months ago, we have often used the word internationalization. The word internationalization has an entirely different meaning from the word globalization. Internationalization has a narrow meaning. It involves the relationship between countries. It is also used in the economic field.

The word globalization has a different meaning. I can say that if internationalization was intended for the 19th or 20th century, globalization is intended for the 21st century, the next century. So, globalization involves all fields, namely, the political, economic, social, cultural, sports, and art fields. Globalization cannot be achieved by the efforts of the government and by the efforts of businessmen alone. Globalization can only be achieved when people of all strata participate in it.

In this sense, I think that political parties should play a central role in achieving globalization as they are directly related to the people and assume responsibilities before them. I understand that our DLP is now actively moving to achieve globalization. As you probably know, the DLP is considering to change its name, symbol, party banner, and party song. I understand that our party is now vigorously studying and reviewing ways to meet the

demands of the present times. So, I think that it is not desirable for me to discuss this in detail at this time. I believe that this question is now being discussed at the party.

[Kim Hong from KBS] Since the issue concerning Party Chairman Kim Chong-pil is very delicate and needs various supplementary explanations, I think your answer has symbolic meaning.

Now, I would like to ask a question regarding the elections of heads of local self-governing bodies.

What are the standards for officially nominating DLP candidates, and in particular, what type of man do you think is suitable as a candidate for the mayor of Seoul? Furthermore, how do you, as the DLP president, plan to support DLP candidates in the elections?

[Kim] As you all know, U.S. President Clinton made speeches in support of candidates from his party, the Democratic Party, during the intermediary U.S. elections. This is the basis for politics by political parties.

Whenever I encountered an opportunity, I repeatedly emphasized the importance of the election of heads for the local self-governing bodies. It is my simple yet ardent wish to see that the forthcoming elections of heads of local bodies are held in a fair and just manner.

We initially put forward a far more strict draft than what we have today when the unified election law was being amended. The draft, however, was softened quite a bit in the course of discussions. Originally, the contents of the draft were as strict as that of similar laws in England. Strict observation of even the present law means great success.

I, as president, will make the best efforts to conduct clean and fair elections. As for the election of the mayor of Seoul, there are no specific standards for being elected as the mayor, and only general standards apply. First, he should be capable, and next, he should be clean-handed and upright. In addition, he should be willing to work.

In order for the election revolution to be conducted, I will see to it that those who are elected through rigged elections have their election nullified, even if we have to repeat elections over many more times, just as England elected a number of people again and again in its early stages. We have already begun investigations, and this investigation will be intensified in the future. I will see to it that investigation is thoroughly conducted, and that those who are elected through unlawful means, regardless of whether one is from the ruling or opposition parties, will be expelled from public position forever, and elections will be conducted again.

[Cho Chong-min from MBC Broadcasting Network] The issue of reorganizing local administrative organizations has been brought up persistently in the past. In the wake of elections for the heads of local self-governing bodies, however, this issue has failed to make progress. Will you

explain if this issue can be addressed even before the elections of heads of local bodies in view of importance of the issue? Will you tell us about whether the issue of reorganizing local administrative structure can be postponed for after the elections?

You said that reorganization of government structure is only the beginning. Will you tell us when and how you plan to carry out additional reorganization, such as the scaling-down of organizations of non-economic government offices and for the four government-supported public organizations?

[Kim] Well, I have already talked about the local administrative organization. I believe the reform of such organizations is absolutely necessary. There exists a three-tier, inefficient, unnecessary administrative organization in local regions. By all means, I think it is necessary to conduct a drastic reform of this. By the way, such a structure is a vestige of the era of Japanese colonial rule. It has become a deep-rooted practice. I think we ought to start a reform of this right now. Honestly speaking, however, it is very difficult to conduct reforms at this juncture, because this might lead to a ripple effect on various things, including the election of local autonomous governments. Therefore, this is an essential task to implement. But let me honestly say that such reform is difficult, both practically and in terms of timing.

We have already reviewed this question several times, but we are too pressed for time. Like the implementation of the real name financial transaction system, the general administrative organization has undergone a drastic change. Last time, as a result of the revision of the Law on Local Organizations and of the restructuring of the economics-related government ministries and agencies, more than our 10,000 government officials saw their posts changed, and more than 1,000 government officials had to leave their posts. This was a revolutionary change. Therefore, we had better restrain ourselves a little from further talking about this. I think it improper to talk too much about this, so I hope you will understand what I have said.

[Song Yong-on from TONG-A ILBO] Last year, the ruling and opposition parties experienced rough relations. Some have pointed out that you, Mr. President, were too parimonious-minded toward the opposition parties. Please tell us if you have any ideas on how to achieve desirable relations between the ruling and opposition parties.

[Kim] I myself was in the opposition in a very difficult era and for a longer period than anyone else. I was in the opposition for a longer period than anyone else, and was persecuted with a dreadful suppression more so than anyone else. Therefore, I am in a position to understand the stance of the opposition parties more than anybody else. However, I would like to raise one point clearly here in this place: During the era in which I myself struggled, it was the era of democracy versus anti-democracy; it was the era when there was neither democracy nor

freedom of speech. To be frank with you, at the moment we have too much freedom of speech. You write anything you like to write. You write much that is not true. You do not correct wrong reports. Under these circumstances, it is unfeasible to think about relations between the ruling and opposition parties from the viewpoint of a structure of democracy versus anti-democracy.

Of course, U.S. political parties have no party presidents. However, the United States is a symbolic country which has a presidential governing system. In a dialogue with the opposition party—the floor leader of the Republican Party—floor leaders represent political parties. The President will offer explanations to the floor leaders of both parties. At the moment, I can never understand....[pauses] At the moment, the era of democracy versus anti-democracy has passed. Under the circumstances in which a lively freedom of speech and freedom itself exists, and in which nothing is shrouded in secrets, if anyone repeats the method practiced 20 or 30 years ago, something must be wrong.

I can understand more than enough, because I was in the opposition for too long a time. Therefore, now is the time to bring about a change in our way of thinking. Now is different from the past. Now is a new era where democracy exists.

The position of the ROK in the international community has been greatly enhanced. The world highly appraises the ROK as a country successful in democratic and economic development following the establishment of a civilian government. The opposition should act in a manner befitting such enhancement of the ROK's position.

In the past, when there was no democracy in this country, the opposition party called for direct presidential elections. The opposition protested the election of the president at a sports stadium, accompanied by a handful of people. The opposition was right then. Now it is different.

[Kudasov] from NOVOSTI] Mr. President, I should like to ask a question about foreign policy. Recent statements made by South Korean politicians and scholars contain arguments for readjusting Seoul's foreign policy toward the four major powers in light of the changing environment on the Korean peninsula following the signing of the Geneva accord between North Korea and the United States. In this regard, would you please elaborate the administration's plans concerning policy, especially toward Russia, in both the political and economic fields for this year?

[Kim] I do not think it necessary for the ROK to make any particular and sudden changes in its foreign policy. We will pursue consistent foreign policy, and maintain the attitude we have taken so far to the countries near us, such as the United States, Japan, China, and Russia. As I said, we will develop our foreign policy toward the world, and will diversify diplomacy with the world. I

think it appropriate for the ROK to push ahead with a foreign policy commensurate with the ability of the ROK.

[Chon Yong-hak from Seoul Broadcasting System] There was a major cabinet reshuffle toward the end of last year. Some note that the Honam District was alienated in the cabinet reshuffle and in personnel actions for vice-ministerial-level officials. What is your view of this, Mr. President? There will be elections for the local autonomy system. Many people worry that the local autonomy elections could result in the aggravation of regional antagonism. Do you have any plans to ultimately resolve regional antagonism?

[Kim] The term regional arrangement exists only in our country. It is not used in any other country in the world. In placing the proper person in the proper position, only competence matters. Regional background was not taken into consideration. For instance, the first prime minister I appointed was from the small province of North Cholla. So was Chong Chae-sok, deputy prime minister in charge of economic affairs, and Minister Kim Tok-yong. So many ministers from the least populated places! You said nothing then, but now you bring up this issue again. This is not fair. This is what inflames regional conflict. In the future, we should continue to evaluate the person, not the regional arrangement.

Frankly speaking, most of the aides of U.S. President Clinton are those who worked with him when he served as governor of Arkansas. During the Bush days, most of the presidential aides were from Texas. The Americans do not criticize that.

[Kuroda from SANKEI SHIMBUN] I have two questions concerning the North Korean situation and ROK-Japan relations. Kim Chong-il has yet to assume the post of president or party general secretary. How do you view the power situation in North Korea? When will summit talks with Kim Chong-il take place? Secondly, this year marks the 50th anniversary of liberation, as well as the 30th anniversary of diplomatic relations between the ROK and Japan. How do you appraise the 30 years of cooperation between the ROK and Japan?

[Kim] Concerning the question the Japanese reporter Mr. Kuroda asked, I am well aware of the various foreign press reports about North Korea's Kim Chong-il. I often meet the heads of state of foreign countries and listen to their views. They ask me how could there be such an abnormal situation of leaving the position, which cannot be left vacant even one day, vacant for nearly seven months. I think it is not advisable for me to mention here what I think and know about it. I can only say we are keeping a close watch on the situation.

Regarding ROK-Japan relations, the historical significance of the 50th anniversary of liberation cannot be stressed too much. The division of our country has lasted 50 years. Furthermore, this year marks the 30th anniversary of diplomatic relations between the ROK and Japan.

Anyway, I think it is better for leaders of our two countries to guard our words a little. I am aware that Japan has thus far talked much about repentance regarding its colonization of Korea. I think, however, that it is right for Japan to reveal the truth to our people in future. Also, I think it is better for the Japanese to use words sparingly. Therefore, I sincerely hope that bilateral relations between the ROK and Japan will move toward the future in a forward-looking manner. Four Japanese prime ministers have been in office since I became president, but I have continued to talk with them, saying: "Let's move toward the future in a forward-looking manner. Let's cooperate with each other, looking towards the future. Our two countries, which are the most important countries in Asia, should move towards the future."

In particular, I think that this year, our two countries should seriously ponder this issue over and over, and that it would be better for us to look towards the future.

[Reporter Kim Kyu-sik from HANGUK ILBO] I have one more question for you regarding North-South relations. It seems that despite the improvement in North Korean-U.S. relations, North Korea has not at all changed its policy toward the South of disregarding North-South dialogue. Regarding this or even under these circumstances, do you believe that North-South economic cooperation and the supply of light-water reactors can be carried out according to schedule, as you mentioned earlier? Could you be more specific?

[Kim] The most important part of the U.S.-North Korean Geneva agreement, which was announced, was inter-Korean dialogue. It was clearly noted there. I think that inter-Korean dialogue must be a precondition. True inter-Korean cooperation can only come when it is realized. As for the issue of summit talks, which I failed to mention when Mr. Kuroda asked me a question, North Korea notified us that the summit talks would be postponed because of their unfortunate incident. There is no person in North Korea who claims himself to be the top leader in the normal sense now. Therefore, when the top leader appears—I do not know when—the North Korean side should make an overture to us in a natural manner. This is their turn to do it. Therefore, I expect that you can all realize that all of the above-mentioned issues are crucial to practical and significant North-South relations and dialogue.

This is essential to true cooperation between the South and the North. There were many things agreed upon between the South and the North, such as the declaration on denuclearization and not vilifying each other. But none of these were put into practice. They are continuing to vilify us every day.

[Kim Tu-u from CHUNGANG ILBO] It was often noted last year that our country's activities in the fields of diplomacy, security, and reunification showed divergent opinions within the government and that there was considerable friction between the ROK and the United

States in our endeavor to resolve the North Korean nuclear issue. Please tell us whether policy confusion continues in the government, and if there is, how it can be settled. How are you going to coordinate and strengthen relations with the United States?

[Kim] There cannot be any conflict between the ROK and the United States in the future. It is an invariable position of the United States to maintain the allied relations with the ROK. In a recent telephone conversation with President Clinton, President Clinton stated clearly again and again—this was when Warrant Officer Hall was repatriated—that the talks between Major General Smith and a Maj. Gen. of the North were not military talks between the United States and North Korea, but talks held according to the Armistice Agreement. This will remain unchanged in the future as well and that decisions will be made in consultations between President Clinton and President Kim under all circumstances. He also took that position when he met with me in person.

When I met with President Clinton separately for talks during the Asia-Pacific Economic Cooperation summit meeting, we discussed such matters as the U.S. commitment to the Korean peninsula and its relations with the North. There too, President Clinton expressed a firm position.

The Republican Party, which controls the U.S. Congress, maintains an even firmer position on the security issue in Korea than the Democratic Party, so we do not have to worry about confusion when dealing with the United States on security matters on the Korean peninsula.

[Kim Song-chin from KUNGMIN ILBO] I would like to ask you about the economic problem. Already in the New Year, there is concern about price increases for services and goods. Since the local autonomy elections will be held this year, there is concern about the possibility of increases in real estate prices. Please tell us if you have any particular measures in mind to check inflation.

[Kim] As you know very well, prices are a very important economic issue, and our people are very concerned about prices. We promised to stabilize prices, by less than 6 percent and attain a 7-percent economic growth last year. Even though complete statistics are not yet available, statistics available as of yesterday indicate that we attained an approximately 8.3-percent economic growth and that prices were stabilized, by 5.6 percent, last year.

We think stability is far more important than growth. We think it is not desirable to attain too high a growth. Therefore, we project a 7-percent growth for this year, a level enjoyed by advanced countries. Then, I think, prices can be stabilized by 5 percent.

The media reports prices will go up and up this year. People believe prices will go up because of these extensive media reports. That is not true. Prices of manufactured goods, public utility rates, and, more importantly,

prices of agricultural goods affect price increases. Instead of forcibly controlling prices as the previous government did, the government plans to urge businessmen and people to cooperate in stabilizing prices, by 5 percent. I think we can stabilize prices by 5 percent. We can if we attain a 7-percent economic growth, which is very successful growth.

We exported almost \$96 billion worth of goods last year. Our projection for this year is over \$100 billion. Exports increased by 14 percent last year compared to the year before last. One of the most important issues is to increase our competitiveness. The most important factor in globalization is to make our people world citizens and increase our competitiveness. Increasing exports to advanced countries is important.

Last year, we saw a 17 percent increase in the volume of exports to advanced countries. As we made quite an increase in the volume of exports, I expect an additional increase in exports this year if we continue to actively sharpen the competitive edge. I think the increase in exports will inevitably stabilize commodity prices. This goal cannot be attained without the efforts of each one of the fellow countrymen.

Particularly, you, journalists, should refrain from reporting as if commodity prices are going up as this might raise prices.

What I want to make clear at this point is that, even though the media reports as if real estate prices are going up, the government will ensure the stabilization of real estate prices. I ordered relevant officials to enact a law nullifying real estate registration under false names. A real-name system for property transactions will soon be announced. With the enforcement of the real-name system, real estate prices will not increase.

Now, I will answer only one more question.

[Unidentified reporter] Labor disputes are expected to grow this year. There is a movement to establish the second General Labor Union and the labor sector is increasingly calling for the revision of labor laws. How do you intend to solve this problem?

[Kim] Stabilization of commodity prices and harmonious labor relations are the keys to the country's economic success. Regardless of whether they are workers or owners, every one of the fellow countrymen should judge wisely their role in the world of severe competitiveness ushered in by the inauguration of the World Trade Organization system. Therefore, labor-management relations should be changed into an advanced country-style structure in order to join the category of the advanced countries.

The United States and Japan have successfully solved their respective labor dispute problems and, thus, now stand as major economic powers. Therefore, one of the fundamental factors in economic success is labor-management harmony. I think only labor-management

cooperation can invigorate our economy. As the outcome of labor disputes shows, and workers and owners realize, we have the full potential to solve the problem. This will be all for today. Thank you.

### DLP, DP React to News Conference

*SK0601064795 Seoul YONHAP in English 0632 GMT  
6 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—The ruling Democratic Liberal Party (DLP) has thrown its full support behind globalization, presented by President Kim Yong-sam as the country's goal for 1995 in a New Year's press conference Friday [6 January].

Ruling party Spokesman Pak Pom-chin also expected South Koreans to broadly support and participate in globalization, noting that "the press conference given by the president presented a clearer vision of the country to the people than any one presented before."

"Our party will strongly back six major projects to push ahead with globalization of the country through close cooperation between the party and the government," the spokesman said.

The main opposition Democratic Party (DP), however, downplayed the significance of Kim's press conference, saying that "the president failed to indicate where to lead the country and concrete contents which could bring any hope to the people."

In a statement released after the news conference, DP Spokesman Pak Chi-won said, "The president's response to the question on the reform of the DLP just deepened doubts (on the matter)."

Pak also decried the alleged regionalism reflected in the just-concluded cabinet reshuffle, which left people from southwestern Cholla Province largely excluded.

Moreover, the opposition party spokesman said the DP is concerned that the president may selectively expel public officials who have committed election irregularities and then conduct fresh polls.

### Nuclear Energy Technology 'Bound for' Turkey

*SK0601013695 Seoul YONHAP in English 0056 GMT  
6 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—South Korea's nuclear energy technology is bound for Turkey, the Korea Atomic Energy Research Institute (KAERI) said Friday [6 January].

KAERI signed a contract last Dec. 30 with the Turkish Electricity Authority to provide comprehensive consultative services for construction of the Akkuyu Nuclear Power Plant, the first such facility in Turkey.

Under the contract, KAERI officials will also evaluate foreign bids for construction of the nuclear power plant.

The state-run institute had to compete with the world's top 18 corporations including Bechtel and Ebasco for the 350,000-dollar contract (except for personal expenses).

The contract calls for KAERI to form a consortium with Hyundai Engineering & Construction Co., Hyundai Engineering Co. and a Turkish Engineering Company soon to provide technology for the nuclear power plant, whose construction is scheduled to begin in 1998.

South Korea has exported some nuclear energy-related technology to other countries including China, but this will be the first time for Korea to export comprehensive atomic energy technology.

### Prospects 'Bright' for UN Security Council Seat

*SK0601113095 Seoul YONHAP in English 1043 GMT  
6 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—Prospects have become bright for South Korea's gaining of the non-permanent membership of the United Nations Security Council [UNSC] in the years of 1996-97.

"As many as about 110 countries including Russia and Germany either support or affirmatively null supporting our advancement to the Security Council on a non-permanent ticket," a senior government official said Friday.

He said the government intends to send special envoys to non-committed countries to make the situation decisively favorable to the country.

Saying that Sri Lanka has been competing with Korea for a seat allotted to the Asia zone, the official said Sri Lanka initially enjoyed support from many third world countries, British Commonwealth countries and many of small island countries.

"Lately, however, Sri Lanka has no room for campaigning for the UNSC seat as it has been engulfed in a domestic political crisis since last November's power change," he said.

The special envoys who will tour non-committed countries in a couple of months will be Ambassador Yi Si-yong, former Foreign Minister Yi Sang-ok and Ambassador No Yong-chan.

Non-permanent UNSC members 1996-97 will be chosen at the UN General Assembly on Oct. 21 this year with a support of more than two thirds of attending UN member countries.

So far some 60 countries have promised support for South Korea and 50 or so others are known favorably thinking of supporting Seoul.

### Increase in Number of Trading Companies Reported

*SK0601084195 Seoul YONHAP in English 0742 GMT  
6 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—South Korea boasted 52,364 trading companies as of last November's end, up 30.8 percent over the end of 1993.

The International Trade-Industry Ministry announced Friday that the number of trading firms has shown an average 24-percent increase annually since 1987—3,423 in 1981, 13,547 in 1987, 21,788 in 1989, 31,867 in 1992 and 40,032 in 1993.

By approval classification, A-class trading businesses, which face no limits on exports and imports, accounted for 69.4 percent of the total or 36,341, while B-class firms, which can export products made with their own manufacturing facilities and import only raw materials, amounted to 30.6 percent, the ministry said. Noteworthy is that the former's trade dealings are growing more swiftly than the latter's.

By region, Seoul was the preferred office location with 55.9 percent of the total or 29,251 firms, with Inchon at 4.6 percent and Kyonggi Province at 14.1 percent, meaning capital area-based companies accounted for 74.6 percent, ministry officials said.

Foreign trading agents based here totaled 1,099 or 2.1 percent of the total, comprising 1,003 foreign-invested firms and 96 branches of foreign businesses.

#### Ministry Reports Increase in Foreign Investment

SK0601112795 Seoul YONHAP in English 1025 GMT  
6 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—Foreign investment in South Korea showed a significant increase last year over the previous year.

Figures available from the Ministry of Finance and Economy showed Friday that foreign investment totaled 1,317 million dollars in 646 projects in 1994.

It represented a rise of 26.1 percent in amount and 41.0 percent in the number of cases over 1993.

Of the total, 681 million dollars in 414 cases were new investment and the remaining 636 million dollars in 232 cases additions to the existing investment.

By industry, the new investment included 144 million dollars in the area of manufacturing and the remainder in non-manufacturing industries.

Of the 1994 total, 429 million dollars in 216 projects came from Japan, 311 million dollars in 175 cases from the United States and 391 million dollars in 115 projects from the EU.

#### Foreign-Funded Firms Doing 'Better' Than Domestic

SK0601013295 Seoul THE KOREA HERALD in English 6 Jan 95 p 8

[FBIS Transcribed Text] Foreign invested enterprises operating in the nation are doing business far better than Korean corporations, according to a survey conducted by the Ministry of Trade, Industry and Energy.

The ratio of operating profits to sales is 4.5 percent for foreign invested enterprises, compared with 2 percent for Korean businesses. The ratio of net profits to sales for foreign invested enterprises is also 2.3 times as large as that for Korean businesses.

Harmonious labor-management relations are one of the factors that contribute to raising profits for foreign invested enterprises, the ministry said yesterday.

The survey of foreign invested enterprises operating in the country is the first of its kind. Such annual surveys are demanded by the Organization for Economic Cooperation and Development, which Korea plans to join next year, the ministry said.

As of September 1994 when the ministry conducted its first survey of those companies, 1,572 foreign invested enterprises were operating in the country.

With 412 foreign invested enterprises found to be untraceable, the ministry said it had mailed a questionnaire to 1,160 enterprises and received responses from 912 enterprises.

Those engaged in the food and beverage business had the highest ratio of net profits to sales, which stood at 7.7 percent in 1993.

However, foreign invested enterprises engaged in retail, wholesale and international trade sustained net losses equivalent to 0.4 percent of their sales.

The 912 foreign invested corporations employed 187,171 people, 99.5 percent of them being Korean nationals. Foreigners were top managers and core engineers.

The average monthly pay to employees of the foreign invested enterprises was 1,447,000 won, or 1.5 times as large as that of those employed by Korean corporations, which stood at 975,000 won.

Wages accounted for 21.6 percent of the production costs of foreign invested enterprises, compared with Korean enterprises' 15.3 percent.

One out of every four foreign invested enterprises had trade unions while 15.6 percent of Korean businesses had unionized workers.

Less than 1 percent of the corporations experienced labor disputes in 1993.

Foreign invested enterprises had sounder financial structures than their Korean counterparts. The ratio of liabilities to net assets was 247.5 percent for foreign invested enterprises and 312.9 percent for Korean businesses while the ratio of short-term loans to the total loans was 24.2 percent for foreign invested enterprises and 32 percent for Korean businesses.

Dividends and royalties paid out by foreign invested enterprises to their parent companies accounted for 0.5 percent and 1.8 percent of their sales, respectively.

Foreign invested enterprises were showing more interest in establishing distribution networks than in investing in capacity expansion, the ministry said.

Their business strategy was changing from the exploitation of cheap labor for the manufacture of export items to raising their share of the Korean market, the ministry said.

The Korean market accounted for 66.1 percent of their sales while 35.4 percent of their exports were bound for their parent companies.

Foreign invested enterprises were found to be relying on their parent companies for much of their research and development. They spent 0.6 percent of their sales on research and development, compared with 1.8 percent for Korean companies.

Two-thirds of the foreign invested enterprises that responded to the survey said they were successful in their business in Korea while 32 percent said it was difficult to make an assessment. Only 1.3 percent admitted that they had failed in their Korean ventures.

### **Stock Market Said Suffering 'Near Crash'**

*SK0601063495 Seoul YONHAP in English 0522 GMT  
6 Jan 95*

[“News analysis” by Kim Myong-chol]

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—The stock market is suffering a near crash, with the Korea Composite Stock Price Index (KOSPI) plummeting 51.31 points to 976.06 in the first three sessions of the new year. The three-month reign of the four-digit KOSPI has thus come to an end.

Consequently, investor sentiment has weakened, resulting in a selling spree on Thursday [5 January].

Why is the bourse acting so bearishly?

The apparent villain is blue chips. They were once the supporter and leader of the stock market, pushing up the KOSPI to the 1,000-point level for the first time in more than five years in mid-September 1994 by using their formidable influence on the index. But starting late last month, they began falling and the descent continues.

For instance, Korea Mobile Telecom, the bluest of blue chips, nose-dived from 600,000 won a share in October to 300,000 won on Thursday.

Samsung Electronics slid to the 90,000-won level, failing to maintain the 100,000-won mark, while Pohang Iron and Steel Co. dropped to 50,000 won.

Blue chips have suffered an average fall of more than 30 percent in their share prices since late October in spite of unchanged business activities and achievements.

The real reason is the Bank of Korea's tightened monetary controls because the bourse has no means of coping with the money supply squeeze as a means of fighting inflation.

The M2 money supply, the sum of cash in circulation and bank deposits, expanded 18.9 percent last year, prompting the central bank to tighten controls on the money supply.

The inflated money supply was well attested to by the commitment of no less than 1,456 billion won to Korea Telecom's initial public offering late last year. Seeing this huge amount of idle money, the central bank had no choice but to squeeze such cash from circulation.

On top of this, the government, after the radical downsizing late last year, announced that the New Year's policy focus would be on fighting inflation, or a money supply squeeze, to ensure stable economic growth.

In fact, the Bank of Korea sold monetary stabilization bonds totaling 1 trillion won to commercial banks on Wednesday in a bid to squeeze idle funds out of circulation. And investment trust companies must repay special Bank of Korea loans totaling 1.3 trillion won by Feb. 12.

This has combined with the seemingly never-ending fall of blue chips to alert institutional investors in portfolio management.

Banks holding lots of blue chips in their portfolios are at a loss over what to do with these stocks and investment trust firms, pressed to reimburse the Bank of Korea loans, have to scale down their stock trading.

Furthermore, many foreign investors have retreated to the sidelines, seemingly because of their losses overseas.

As a result, individual investors have been prompted to pull out of the bourse. Investor deposits with brokerage houses, a measure of future stock investment, shrank to 2,426 billion won on Wednesday, indicating weak market demand.

The government also contributed to the falling stock market by supplying it with a large amount of new shares.

Throughout last year, 25 firms went public, listing shares totaling 579.6 billion won on the market, more than a three-fold increase over 1993. Issuance of new rights also rose 92.9 percent over 1993 to 5.378 billion won.

The government helped stock prices fall with a market policy based on an inaccurate plotting of the bourse's supply-demand curve.

### **Minister Suggests Second Government Restructuring**

*SK0601022695 Seoul YONHAP in English 2351 GMT  
5 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—Rep. Kim Yun-hwan, first state minister for political

affairs, asserted Thursday [5 January] that a second reorganization involving non-economic ministries must be conducted soon.

Minister Kim told reporters, "This perception is shared not only by the ruling party but by the administration as well. President Kim Yong-sam also appears to be considering a number of ways of conducting the reorganization, short of a shocking approach." He thus suggested that a revamp of non-economic ministries will be carried out at some point.

Stressing the need for further reform of the administrative structure, the journalist-turned politician said, "For the sake of reform, we should not be scrupulous about complaints on the part of some public officials, as those aired in the wake of the recent sweeping administrative downsizing, or popularity with the public."

Pointing out that it was his personal view, Kim added: "No reform and globalization can be achieved while the nation keeps one million civil servants. Corruption and irregularities can be prevented only when the number of public servants is drastically reduced by one-third and when their salaries are raised to the level of private enterprises."

#### \* Journal, Korea Research Conduct Special Survey

##### \* Return of Two Kims' Rivalry

952C0031A Seoul SISA JOURNAL in Korean  
27 Oct 94 pp 16-19

[Article by reporter Kim Chae-il: "Movers and Shakers of Korea"—first four paragraphs are SISA JOURNAL introduction]

[FBIS Translated Text] On the occasion of its fifth founding anniversary, SISA JOURNAL polled groups of experts on the subject of "Who is running the ROK?" This opinion poll is the sixth of the kind that has been conducted since the founding of the journal. An examination of these polls sheds light on the question of who has been running this country for the past six years. Through this examination one can also trace the vicissitudes in the influence of various organizations and groups. There have been ups and downs in the relative influence of various organizations and groups. The latest poll was conducted on 1,000 experts, 100 selected from each of 10 speciality fields. Each pollee was allowed to name three individuals (or groups) on each question.

A public impression of one's degree of influence is different from the degree of influence he actually exercises. This is because when a pollee recognizes a particular person as influential, his favorable impression of the person is bound to influence him in his answer to the question of who he thinks is most influential. In the case of a politician, when he is recognized as influential, his position becomes that much stronger.

The results of the poll show that the persons recognized as most influential are, in order of mention: President Kim Yong-sam; Kim Tae-chung, director of the Asia-Pacific Peace Foundation; and Cardinal Kim Su-hwan. Only these three persons remain in the list of the 10 most influential persons continuously for these six years. These three may be said to have exercised the greatest influence in running our country for the past six years. In the case of organizations and groups, the influence of the Agency for National Security Planning [NSP] and the military has receded whereas the press has emerged as a powerhouse.

The poll was conducted in this way: Pollees: 1,000 experts, 100 selected from each speciality field (government bureaucrats; politicians; journalists; lawyers; representatives of social organizations; executives of big corporations; small and medium entrepreneurs; professors and scholars; teachers; and men of letters and artists). Areas covered: all over the country. Sampling method: selection by quota. Method of question: telephone interview. Period of survey: from 28 September through 8 October. Pollster: Korea Research.

It seems that the rivalry of two Kims has returned. President Kim Yong-sam and Kim Tae-chung, director of the Asia-Pacific Peace Foundation, are recognized as the most influential persons in our country. President Kim ranks first in the list of most influential persons for a third straight year continuing from 1992. However, in the latest poll 76.8 mentioned him as compared with 96.2 percent in 1993. The percentage is almost the same as the percentage (76.9 percent) polled by then President No Tae-u in his third year in office. This indicates that the unipolarization of power that existed last year has eased and the weight of political power has returned to the normal level.

The drop in the percentage who recognized President Kim as the most influential person may be interpreted as signifying that his actual influence and his grip on state affairs have weakened that much. In the case of the president, a drop in the popular recognition of his influence has some correlation with a drop in his popularity.

On the contrary, in the case of Kim Tae-chung, who ranked second, the percentage who mentioned him as the most influential person increased from 27.4 percent last year to 35.9 percent this year. It is a general consensus that his influence is waxing amid the controversy as to whether his activities since his retirement from politics are tinged with a political color or not. Experts seem to think that the power concentrated in the hands of President Kim is shifting to Kim Tae-chung to some extent. This signifies that Kim Tae-chung is regaining his position as a counterweight against President Kim Yong-sam. The 30-year-old rivalry between these two men still continues. Kim Tae-chung is recognized as exercising a considerable influence despite his retirement from the forefront of politics. Irrespective of

his choice, the way has been paved for him to resume political activities if he chooses.

In the poll President Kim was chosen by a relatively large percentage of respondents in the Kyonggi (78.2 percent) and Pusan-Kyongnam (78.2 percent) areas and among journalists (90 percent) and politicians (87 percent). On the contrary, he was chosen by a lower percentage in the Cholla area (67.7 percent) and among small land medium entrepreneurs (70 percent) and the middle and high school teachers group (72 percent). In Kim Tae-chung's case, he was chosen by a relatively large percentage in the Cholla area (59.4 percent) and among politicians (49 percent), representatives of social organizations (48 percent), and journalists (47 percent). On the other hand, he was chosen by a relatively small percentage in the Kyongsang area (30.6 percent) and among executives of big cooperations and the group of professors and scholars (25 percent).

Cardinal Kim Su-hwan ranks third for a second straight year continuing from last year. In terms of frequency of mention, he was mentioned by 13.9 percent this year, almost the same level as last year's 14.4 percent. His high position in the ranking stems from his moral authority, not to mention his influence in nonpolitical fields. He used to raise his righteous voice under the Third and Fifth Republic. With the installation of the Kim Yong-sam administration, he urged the public to join with him in the reform drive. Despite his subdued voice now, he is still recognized as a spiritual prop of our society as before.

DP President Yi Ki-tae rose from the sixth place last year to the fourth place this year. This indicates that the public recognition of his influence has improved since he ranked among the first 10 most influential persons for the first time last year. Some note his weakened position inside the first opposition party under a collective leadership system. But, apparently, pollees gave him credit for his seat in having a DP candidate elected in the by-election in North Kyongsang Province, an area where the DP had practically no grass-roots power base.

Samsung Group Chairman Yi Kon-hui ranks fourth in the list of most influential persons last year on the strength of his leadership in the Samsung reform drive he launched shortly after the inauguration of the new government. This year he fell to the fifth place. Nevertheless he is still recognized as an influential person on the strength of his corporate background. DLP Chairman Kim Chong-pil and Home Minister Choe Hyong-u shared the sixth place (the former was mentioned by a slightly larger number of respondents than the latter in the initial query). It seems that Kim Chong-pil's position as the senior representative of the government party and his deliberate conservative stance were taken into consideration in the response of the pollees.

Home Minister Choe Hyong-u jumped to the sixth place this year from the 20th place last year, indicating that he is being recognized as an influential cabinet member.

When the poll was taken last year, he had no official job after he was relieved of his post as DLP secretary general. NDP president Pak Chan-chong ranked eighth as his high popularity was reflected in rating his influence. Chongwadae Secretary General Pak Kwan-yong ranked ninth, most probably because he is closest to the president.

Chong Chu-yong, honorary chairman of the Hyundai Group, retired from the forefront of management, but he is still in control of the group. He shared the ninth place with Pak Kwan-yong. Those below the 10th place include: Foreign Minister Han Sung-chu; the chairman of the Federation of Korean Industries; Kim Tok-yong, chairmen of the DLP Seoul municipal chapter; NSP Director Kim Tok; Kim Wu-chung, chairman of the Daewoo Group; National Assembly Speaker Hwang Nak-chu, and the president of CHOSON ILBO.

Chongwadae Secretary General Pak Kwan-yong; [Home] Minister Choe Hyong-u, and; Kim Tok-yong, chairman of the DLP Seoul municipal chapter, ranked first, second, and third, respectively, in the list of people who exercise influence on President Kim in his policy decision making. All three are close aides to the president. A relatively large number of politicians and representatives of social organizations named Pak Kwan-yong and Choe Hyong-u. DLP Chairman Kim Chong-il, who meets President Kim face to face almost every week, ranked fourth on this score.

What is noteworthy in particular is that Kim Hyon-chol, second son of President Kim, ranked fifth in terms of influence over President Kim's decisionmaking. Particularly, journalists appraised highly the junior Kim's influence on his father. So Sok-chae, who holds no other official position than as member of the DLP Party Affairs Committee, ranked sixth, probably because he is a close aide to President Kim. It is also striking that Kim Tae-chung, director of the Asia-Pacific Peace Foundation, ranked seventh in the list of persons who exercise influence upon President Kim's decisionmaking. Since the last presidential election, the two have not met with each other. Yet the poll seems to indicate that the Chongwadae is sensitive to Kim Tae-chung's moves. Prime Minister Yi Yong-tok ranked eighth, an indication that his influence is not highly rated.

Who are the most influential people in the government? Home Minister Choe Hyong-u ranked first (50.4 percent of respondents) surpassing Prime Minister Yi Yong-tok by a large margin. The prime minister ranked second (with 11.3 percent). It seems that the president is giving more power to the home minister with the local government elections slated for next year. In addition, with his strong personality and his unique staying power, Home Minister Choe fully exercises his given power. This makes it appear as if he were exercising more power than he actually has.

Prime Minister Yi was trailed in order of mention by: Foreign Minister Han Sung-chu; Yi Hong-ku, minister of

the National Unification Board; NSP Director Kim Tok; the minister of the Economic Planning Board; the minister of finance; and Defense Minister Yi Pyong-tae. Particularly, a larger percentage of journalists (68 percent) and politicians (66 percent) favored Home Minister Choe Hyong-u. A relatively high percentage of public servants mentioned the name of the prime minister whereas a relatively high percentage of journalists mentioned the name of the NSP director.

Who exercises the greatest influence on the nation's North Korea policy? Yi Hong-ku, vice minister in charge of the National Unification Board, ranked first, and the NSP Director Kim and Foreign Minister Han ranked second and third, respectively. President Kim is placed fourth. They are followed in order of mention by: Chongwadae Secretary General Pak Kwan-yong; Chong Chong-uk, Chongwadae senior secretary for foreign and security affairs; Kim Tae-chung, director of the Asia-Pacific Peace Foundation; Prime Minister Yi Yong-tok; and [Defense] Minister Yi Pyong-tae.

It is quite natural that Deputy Prime Minister Yi Hong-ku, the control tower in the execution of policy toward North Korea, ranked first (with 46 percent of respondents in favor of him). The deputy prime minister, who is called "the standard-bearer of the moderate wing," is viewed as having been successful in leading his foreign policy and national security team. On the other hand, NSP Director Kim, who is known as a hard-liner toward North Korea, and Foreign Minister Han, who is known as a moderate, was favored by a considerable number of respondents (32.8 percent and 24.1 percent, respectively) as persons having a great influence on policy toward North Korea.

However, the rating of Chong Chong-uk, Chongwade senior secretary for foreign and security affairs, another hard-liner toward North Korea among the foreign and national security affairs team, was very low with only 8.8 percent. It is interesting that Kim Tae-chung was placed seventh in the ranking. Although he is not involved in the policy decision making process at all, he goes around the country delivering lectures to express his views on the unification issue, regarding himself as an expert on this issue. Fifty-eight percent of the group of professors and scholars and 56 percent of the politicians group were in favor of Deputy Prime Minister Yi Hong-ku, 53 percent of the journalist group and 44 percent of the lawyers group in favor of NSP Director Kim, and 36 percent of the politicians in favor of Foreign Minister Han. DP President Yi Ki-tae was rated as the most influential person among National Assembly members. Next came Assemblymen Kim Tok-yong and Kim Chong-pil. Assemblyman Kim Yun-hwan and NDP President Pak Chang-chong shared the fourth place by jumping from the sixth and seventh place, respectively, last year. Yi Ki-tae's position as the head of the first opposition party may have figured largely in his being recognized as the fourth most influential person among the big guns who run our country and as the most influential National Assembly member. A relatively large number of public servants and journalists favored

him. Assemblyman Kim Tok-yong was favored by the politicians and journalist groups whereas DLP Chairman Kim Chong-il was favored by the politicians group.

Assemblyman Kim Yun-hwan, who has no particular position and is engaged in no particular activities, was rated as the fourth most influential National Assembly member, indicating that the public recognizes his influence as the godfather of the former DJP group. In the poll he was favored by a relatively large number of respondents, particularly in the politicians group. NDP Chairman Pak Chan-chong, who shared the fourth place with Kim Yun-hwan, was favored by a relatively large number of respondents in the cultural and artist group and the middle and high school teachers group but by a relatively small number of respondents in the politicians group and the corporate executive group.

Others who were included in the 10 most influential National Assembly members are: [Home Affairs] Minister Choe Hyong-u; Yi Pu-yong, DP Supreme Council member; DLP Floor Leader Yi Han-tong; National Assembly Speaker Hwang Nak-chu; and Yi Chol.

The breakdown by party affiliation of those who were included in the 10 most influential National Assembly members is: six from the DLP (52 percent of the respondents); three from the DP (24.9 percent); one from the NDP (8.9 percent). Assemblymen who ranked below the 10th place include: DLP Floor Leader Mun Chong-su; Chong Tae-chol; Yi Se-ki, chairman of the DLP Policy Committee; Kim Sang-hyon, advisor to the DP; and Hong Sa-tok.

Who is the most influential businessman? Experts did not hesitate to name Samsung Group Chairman Yi Kon-hui as number one. He was favored by 72.4 percent of the respondents. Trailing him were in order of mention: Daewoo Group Chairman Kim U-chung; Hyundai Honorary Chairman Chong Chu-yong; Sunkyong Group Chairman Choe Chong-hyon; Lucky-Goldstar Chairman Ku Cha-kyong; Hyundai Group Chairman Chong Se-yong; and Lotte Group Chairman Sin Kyok-ho. Tonga Group Chairman Choe Won-sok and Kia Group Chairman Kim Son-hong shared the eighth place.

Daewoo Group Chairman Kim U-chung was not included in the 10 most influential persons who run the country in this year's poll, but he ranked second as an influential businessman by surpassing Chong Chu-yong, honorary chairman of the Hyundai Group. This may be interpreted as signifying that Kim U-chung is regarded as more of a typical businessman than Chong Chu-yong.

Samsung Chairman Yi Hon-hui was favored by a relatively large number of respondents among representatives of social organizations, lawyers, politicians, and journalists but by a relatively small number in the cultural and artist group. Daewoo Group Chairman Kim U-chung was mentioned by a relatively large number of respondents among politicians, small entrepreneurs, and social groups but by a relatively small number of respondents among executives of large corporations. Ranking

below the 10th place are: Kolon Group Chairman Yi Tong-chan and POSCO Chairman Kim Man-che.

Chosen as most favored politicians are: NDP Chairman Pak Chan-chong (18.7 percent of respondents); Kim Tae-chung (13.7 percent), and President Kim Yong-sam (12.2 percent). This mirrors their popularity. There is not much difference in the number of pollees who favored each of them. NDP Chairman Pak Chan-chong was chosen as the most favored politician in this poll, but this deviates much from the results of general public polls. This indicates that his popularity is not so high among experts compared with his popularity among the general public [sentence as published]. Pak held the party convention over a strong protest in order to get elected as the sole representative of the NDP, resulting in a bloody clash with the mainstream faction. This poll preceded the NDP convention. Therefore, if another poll is taken now, the results could be different. He was favored by a larger number of small and medium entrepreneurs and middle and high school teachers than by politicians and journalists.

Kim Tae-chung, director of the Asia-Pacific Peace Foundation, was favored by a relatively small percentage (8 percent) of the corporate executive group whereas President Kim Yong-sam was favored most by this group (with 17 percent). Those who ranked within the 10th place as most favored politicians are: Yi Pu-yong, a DP Supreme Council member; Assemblymen Yi Chol, Kim Tok-yong, and Hong Sa-tok; former Prime Minister Yi Hui-chang; DLP Chairman Kim Chong-pil; and Assemblyman Kim Yun-hwan. Those who answered that they had no particular politician they preferred accounted for 32.7 percent of the respondents, indicating that there is a strong distrust of politicians.

To the question of who among the prominent figures is currently influencing you most as an individual, respondents gave the names of President Kim Yong-sam, Director Kim Tae-chung, and Cardinal Kim Su-hwan. This is exactly the same order as that for the most influential persons running the country.

It seems that respondents chose these three persons on the basis of the moral values they hold and the degree of respect they command. However, a very small number named the three as most favored politicians compared with the number that named them as most influential persons. As favored personages, NDP Chairman Pak Chan-chong ranked fourth; former Prime Minister Yi Hui-chang, who is regarded as a straightforward man in officialdom, ranked fifth; Samsung Chairman Yi Kon-hui ranked sixth. The breakdown by speciality of the 10 most prominent persons who are influencing the pollees most as individuals is: seven politicians, one religious person, one lawyer, and one businessman. In the poll President Kim was mentioned by a relatively large percentage of respondents (24 percent) among public employees but by a very low percentage (2 percent) among lawyers.

#### People Who Move President Kim Yong-sam

1	Pak Kwan-yong	32.9%
2	Choe Hyong-u	25.6%
3	Kim Tok-yong	10.8%
4	Kim Chong-pil	5.1%
5	Kim Hyon-chol	4.8%
6	So Sok-chae	3.8%
7	Kim Tae-chung	3.3%
8	Yi Yong-tok	3.0%
9	Kim Tok	2.0%
10	Han Sung-chu	1.6%

#### These Are the Most Influential Among Government Officials

1	Choe Hyong-u	50.4%
2	Yi Yong-tok	11.3%
3	Han Sung-chu	9.6%
4	Yi Hong-ku	7.8%
5	Kim Tok	6.9%
6	EPB minister	5.8%
7	Finance minister	4.1%
8	Yi Pyong-tae	1.7%
9	Director, Board of Audit	0.7%
10	Han I-hon	0.6%

#### Persons in Control of North Korea Policy

1	Yi Hong-ku	46.0%
2	Kim Tok	32.8%
3	Han Sung-chu	24.1%
4	Kim Yong-sam	22.4%
5	Pak Kwan-yong	10.2%
6	Chong Chong-uk	8.8%
7	Kim Tae-chung	7.7%
8	Yi Yong-tok	2.6%
9	Yi Pyong-tae	2.1%
10	Choe Hyong-u	1.5%

#### Who Are the Most Powerful Among National Assembly Members?

1	Yi Ki-tack	16.5%
2	Kim Tok-yong	14.1%
3	Kim Chong-pil	12.7%
4	Kim Yun-hwan	8.9%
4	Pak Chan-chong	8.9%
5	Choe Hyong-u	8.1%

**Who Are the Most Powerful Among National Assembly Members? (Continued)**

7	Yi Pu-yong	5.5%
8	Yi Han-tong	4.9%
9	Speaker	3.3%
10	Yi Chol	2.9%

**These Are the Most Influential Among Businessmen**

1	Yi Kon-hui	72.4%
2	Kim U-chung	44.7%
3	Chong Chu-yong	38.2%
4	Choe Chong-hyon	13.9%
5	Ku Cha-kyong	8.6%
6	Chong Se-yong	5.6%
7	Sin Kyok-ho	2.0%
8	Choe Won-sok	0.8%
9	Kim Son-hong	0.8%
10	Yi Tong-chan	0.5%

**10 Politicians I Like Most**

1	Pak Chan-chong	18.7%
2	Kim Tae-chung	13.7%
3	Kim Yong-sam	12.2%
4	Yi Pu-yong	8.9%
5	Yi Chol	7.7%
6	Kim Tok-yong	5.0%
7	Hong Sa-tok	3.9%
8	Yi Hui-chang	3.6%
9	Kim Chong-il	3.5%
10	Kim Yun-hwan	3.3%

**\* Poll Result Analyzed**

952C0031B Seoul SISA JOURNAL in Korean  
27 Oct 94 pp 26-27

[By reporter Mun Chong-u]

[FBIS Translated Text] Which is the most influential group or organization that runs the Republic of Korea? This is the question SISA JOURNAL asked experts in various fields in the annual polls it has conducted since 1989. The composition ratio of each group of experts differed from year to year. Accordingly, it is difficult to make simple comparisons. Nevertheless the results of the six polls taken until this year are very suggestive of the changes that have taken place in our society.

The most striking features of the poll taken this year may be that the political world has regained its proper place, that civic organizations, including the Citizens Union for the Realization of Economic Justice (Kyongsillyon)

that emerged suddenly last year, have lost their influence, and that the press has firmly secured its place as an influential group. On the other hand, the results of the polls confirm that the military and the NSP, which have wielded an awesome power in the past, have continued to recede on the stage of power.

The government party (currently the DLP) which always topped the list of the most influential groups in our country in each previous poll nose-dived to the ninth place last year (only 4.8 percent of respondents in favor of it). The political world surrendered its customary first place for the first time in last year's poll probably because of the wave of audit and inspection into corruption carried out under the Kim Jong-sam administration. Each time the asset holdings of politicians were made public, the ill-gotten wealth of some of them were exposed and the politicians involved were forced out of the political stage in droves. The public took an aversion to politicians as they see the crooked politicians being driven out, and this adverse feeling seems to have been reflected in the poll.

However, in this year's poll the political community regained the first place with 51.9 percent of respondents in favor of it, indicating that the season of politics is at hand. Beginning with the four local elections next year, major elections are scheduled for each coming year—a general election in 1996 and a presidential election in 1997. Political circles are already on the move. Various forces, including the Sangdo-tong group, the Tonggyotong group, dissident groups, and former politicos of the Fifth and Sixth Republics—are searching for ways of regrouping, calculating the gains and losses in their political ledgers. Public interest in politics is expected to rise as the days go by.

Those who chose the political community as the most influential force in our country in this year's poll made some noteworthy responses, namely, that they just referred to the political community without differentiating between the government and opposition parties. The same kind of response appeared briefly in the days when the government party was in the minority. In those days pollees named the National Assembly (13.6 percent) instead of the government party (11.9 percent) as the most influential group. In this year's poll also, only 9.8 percent of the respondents made a particular mention of the government party.

This suggests that people are confused in differentiating between the government and opposition parties. They seem to think unconsciously that it is difficult to view the DLP in particular as a single group because various heterogeneous groups coexist in it. This is an interesting phenomenon, considering the fact there was a political restructuring, including the three-party merger, that took place after the result of the 1989 poll was announced.

Kyongsillyon, which rose to the first place supported by 44.6 percent of respondents in last year's poll, nose-dived to the 13th place (with only 5.2 percent in favor of

it) in the latest poll. The ups and downs are quite dramatic. The waning of Kyongsillyon's influence has both positive and negative sides. It can be viewed positively if one thinks that the political world is now playing its proper role. Last year Kyongsillyon won the trust of the masses by pressuring for the adoption of the system of using real names in financial transactions, which politicians were reluctant to introduce. It became more popular when it successfully intervened in the dispute between herbalists and pharmacists, in which the government had been at a loss for a suitable solution. It was a problem the politicians should have solved. The waning influence of Kyongsillyon also mean that since the Kim Yong-sam Administration was installed, the political world has regained its stable function to work out policies.

However, the weakened position of Kyongsillyon has a negative side in that a force that used to rein in politicians is disappearing. With the shrinking of the student activist group and the dissident group which played a prominent role in reining in politicians under the military rule in bygone days, civic groups moved into lime-light as their alternative. Therefore the waning influence of Kyongsillyon could mean that the political world is dashing ahead alone, leaving the rest far behind. Politicians cannot be free from partisan interests. The waning influence of Kyongsillyon, which emerged as a wholesome alternative to student and dissident groups to keep watch on politicians, is not a desirable thing.

Taking on a political coloration could be a reason for Kyongsillyon's precipitating influence and popularity. Recently Chong Tae-yun, former Kyongsillyon director of policy affairs, joined the DLP. Immediately afterward rumors circulated that other Kyongsillyon officials might follow suit. This aside, Kyongsillyon and the Federation of Environment Protection Movements are said to be making preparations to select candidates for the coming local elections. With civic organizations on the move to provide personnel to political parties or directly plunge into politics, the distinctions between them and political circles are becoming obscure.

In the latest poll 26.3 percent of the respondents named the press as an influential group (second place). The ascendancy of the press seems to have a close correlation with the moves in the political world. The public more often tends to regard the press as an influential group in a period of political turmoil. In 1989, when the governing party was in the majority, the press ranked fourth (26.5 percent) as an influential group. In 1992, prior to the presidential election, the press rose to second place supported by 41.8 percent of the respondents, the highest percentage so far. But when there were no unusual political changes, the press was placed ninth (5 percent) in 1990, seventh (8.4 percent) 1991, and 10th in 1993.

The ascendancy of the press may mean that the political world which has held its breath for over a year since the inauguration of the Kim Yong-sam administration is

now stretching itself out and swinging into action. Another reason the press received high marks may be that it has actively gotten involved in environmental and other issues from which it used to look away, outperforming civic groups in these areas.

It is a fact that since June 1987 the press and radio broadcasters have been burdened by their "previous sin" in having cooperated with the dictatorial regimes. In the previous polls journalists themselves showed a negative response to the role of the press. However, in the latest poll 60 percent of the journalists polled said the press is an influential group. This percentage figure was higher than the corresponding percentage of any other group. What should be made of this?

On the positive side, it may mean that now freed from its guilty consciousness, the press is positively discovering its proper role. But on the negative side, it could mean that the press is again taking interest in getting involved in politics. Journalists themselves may feel that they are no longer at the beck and call of the authorities as in the past, but the press is establishing itself as an influential entity. This change in the attitude of journalists may be dangerous under the circumstances when they have not broken off completely from the past.

Business circles (conglomerates, the Federation of Korean Industries, and industrial organizations) always ranked high in each of the five polls in the past. Their position was rock-firm under any period of political upheaval. Even when there was a seismic political change last year, in which the DLP nose-dived to ninth place, business circles maintained the second place (30.2 percent). But this year there was something "unusual" in the results of the poll. In the ranking, business circles dropped to third place by receiving support from 22.5 percent of the respondents, the lowest ever. This seems to have something to do with the changes in politics. Upon assuming his office, President Kim Yong-sam declared that he would never receive any political contributions, and has kept his promise until now. Laws on politics have undergone drastic revisions, doing away with the past practices of influencing the vote with money. As a result, the power of money has noticeably weakened in the political arena. As far as the latest poll is concerned, it seems that the distance separating politics from financial influence is widening gradually.

In the first poll conducted by SISA JOURNAL in 1989, the military was placed third as an influential group, so named by 41.1 percent of the respondents. However, since then it had remained at the bottom as an influential group, so named by 9 percent of the respondents in 1990, 13.5 percent in 1991, and 10.4 percent in 1992. At last it dropped out of the top 10 group in 1993. In this year's poll, only 6.6 percent named the military as an influential group. If this trend continues, the military will no longer be able to find itself among the movers and shakers of this country. One can feel keenly that civilian government is taking its firm roots.

The situation is the same with the NSP. In the 1989 poll the NSP ranked sixth with 15.2 percent in favor of it. But in the 1990 and 1991 polls, it dropped out of the top-10 group. In the 1992 poll taken shortly before the presidential election, it staged a brilliant comeback and ranked third (39.8 percent), but it dropped out of the top 10 in the 1993 and 1994 polls. Particularly in this year's poll, only 1.8 percent favored the NSP, the lowest ever percentage point since the first poll was taken. Since the National Assembly revised the NSP Law last year, the NSP has been brought under the oversight of politicians. As a result, the NSP has lost its image as the government within the government.

The influence of the student activist group and labor organizations continues to wane. The student activist group was mentioned by 13.9 percent of the respondents as an influential group in the 1989 poll, but the percentage plummeted below 10 percent beginning in 1991. In the 1993 poll 18.8 percent of the respondents mentioned labor organizations (the Korea Federation of Trade Unions and the National Federation of Labor Unions) as the most influential group. But labor organizations were not even included in the subjects of the survey in this year's poll.

#### Government Plans Real-Name Real Estate System

SK0601082695 Seoul YONHAP in English 0726 GMT  
6 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—The government will soon announce legislation prohibiting the use of false names in property transactions under a real-name system bared by President Kim Yong-sam at his new year's press conference Friday.

Officials at the finance and economy ministry said the government has decided to adopt the real-name system by enacting a law nullifying real estate registration under false names other than the actual owners'.

The present law on real estate partially allows property to be registered in the name of another person.

After the president's news conference, the deputy premier and finance-economy minister said the government has been working on the real-name system on Kim's orders, adding the result will be announced soon after its completion.

A ministry official disclosed the new system is being studied by the Justice Ministry, Ministry of Court Administration and Finance-Economy Ministry, saying it will probably be realized given the new law is aimed at nullifying various judicial precedents and rules which presently acknowledge property registration in another person's name.

Currently, registration of real estate in someone else's name is used by individuals and private businesses to dodge taxes or conceal property holdings.

#### Impact on Business Dealings Noted

SK0601112895 Seoul YONHAP in English 1038 GMT  
6 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 6 (YONHAP)—The government plan disclosed by President Kim Yong-sam in his press conference Friday to allow the possession of or dealings in real estate only under real names is causing quite a stir in the country, especially the business world.

Sources at the real estate circles said real estate prices would plunge in the days ahead as those owning real estate under others' names would try to sell off their real estate in haste before the system would be formally introduced.

Law suits on disputes over the ownership of real estate are also expected to swell because of the possibility that those who have lent their names to others in the registration of real estate may refuse to relinquish the real estate under their names.

"If the real name system were introduced forthwith, it would lead to shrunken sentiments on real estate transactions, causing much confusion even in normal real estate dealings," a source at the Real Estate Brokers Association said.

This in turn would aggravate the financial situation of small industries which used to borrow funds with their real estate as collaterals, he said.

Another impact would be that those real estate held by public officials under others' names, which were not surfaced during their previous property registration, are bound to be laid bare, possibly giving rise to a second public officials' crisis over properties.

#### \* Proposed Revision of Consumption Tax Viewed

952C00024 Seoul HANGUK KYONGJE SINMUN in  
Korean 10 Sep 94 p 3

#### \* Ministries' 'War of Words'

952C00024 Seoul HANGUK KYONGJE SINMUN in  
Korean 10 Sep 94 p 3

[By reporter Chong Man-ho]

[FBIS Translated Text] A war of words is raging between economic ministries over revision of special consumption tax rates. The Ministry of Trade, Industry, and Energy [MOTIE] and the Ministry of Health and Social Affairs are tenaciously demanding that tax rates be lowered for the industries and products they manage. On the other hand, the Economic Planning Board [EPB], concerned about overconsumption, is demanding that tax rates be raised on some luxury consumer goods. The current revision of tax rates led to this contest of strength between the ministries because it will determine the tax-rate system itself, not because it is a minor item-by-item revision of tax rates. With the recent publication

of its tax-revision proposal, the finance ministry completely changed the system of special consumption tax rates. The system had been composed of six [rate] groups ranging from a minimum of 10 percent to a maximum of 60 percent. The finance ministry simplified this, organizing rates into three groupings: foods and beverages and daily necessities, 10 percent; electronics and other household products, 15 percent; high-priced consumer goods and leisure products, 25 percent. The ministry's intention was to lower rates overall and make them realistic because excessively complex and high rates actually promote tax evasion. In the process, however, problems appeared as the tax rates of some items were changed. First of all, the EPB opposed the large decrease—from 60 percent to 25 percent—in special consumption taxes on such items as jewels, high-quality furs, and golf supplies. Is it justifiable to cut the tax rate on luxury consumer goods this much on the grounds of simplifying the tax system? EPB officials asked. Tax revenues are also a problem, but this does not fit with public sentiment, they point out. For the same reasons, the EPB demanded that the Turkish Bath Admission Tax, which the finance ministry fixed at 5,000 won, be restored to the current rate (100 percent of admission fee). However, the Ministry of Finance thinks differently. Although the special consumption tax was lowered, if value-added taxes, special agricultural taxes, and educational taxes are added, the total tax rate is 47.5 percent. In no way is this a low level of taxation, ministry officials say. By lowering the tax rate, they explain, tax revenues will actually increase due to the prevention of tax evasion and smuggling. The position of MOTIE is generally that tax rates should be lowered. Despite the fact that it would be right to exclude home electronics, such as refrigerators, TV's, and VCR's, from taxation since purchasing them is no longer "special" consumption, argue ministry officials, the government is making consumers pay an excessively high tax rate on these items. MOTIE is demanding that the tax rate on large refrigerators, TV's, and VCR's, which was lowered by only 5 percentage points, should be reduced further and that the tax rate on washing machines, which was actually raised 10 percentage points, should be restored to its former level. Concerning this, the finance ministry clarified the point that additional reductions are impossible because of tax revenue problems and that further revisions could not be considered, since applying tax rates differently depending on a product's nature or size would distort the industrial structure. Concerning electronics, the EPB argues that tax rates should actually be raised on large products since they are luxuries. Thus, the positions of each ministry differ. It does not make sense that for foods and beverages, only coffee and cocoa are part of the household products category (15 percent); Ministry of Health and Social Affairs officials argue that the food and beverage group rate (10 percent) should be applied to these items. They also stress that the time has come for soft drinks and sugar, products that are routinely consumed, to be excluded from taxation. In addition, some argue that, to stabilize the lives of working Koreans, the special consumption tax on kerosene, which was raised to 20 percent, should be returned

to the 10-percent level and that the special consumption tax on petroleum should be converted from an ad valorem tariff imposed as a percentage of product price to a specific commercial tariff imposed based on import quantity. Whatever the outcome, the finance ministry's excessive, stubborn insistence on the principle of taxation and tax revenues and related ministries' unprincipled wavering and following of special interest groups, are both equally unseemly. The meeting of related vice ministers to be held on the morning of the 10th will be an event to watch closely.

#### **Special Consumption Tax Rate Original Revision Proposal**

**10 Percent (8 Items):** Maintained at current 10 percent: soft drinks, luxury drinks, health foods, sugar, high-quality furniture, special cosmetics, pianos (excluding grand pianos), crystal-maintenance products.

**15 Percent (12 Items):** Increased from 10 percent to 15 percent: washing machines, carpets (excluding woolen products). Maintained at current 15 percent: electronic musical instruments, fuel-using appliances. Reduced from 20 percent to 15 percent: large refrigerators, large color televisions, VCR's, grand pianos, woolen carpets, coffee, cocoa.

**25 Percent (11 Items):** Increased from 20 percent to 25 percent: precious metals, high-quality watches. Maintained at current 25 percent: air conditioners, high-quality cameras, water-ski supplies. Reduced from 30 percent to 25 percent: motor boats, TV-image projection equipment. Reduced from 60 percent to 25 percent: jewels, high-quality furs, card machines and other gambling equipment, golf supplies.

**Other:** Kerosene special consumption tax rate: increased from 10 percent to 20 percent. Turkish Bath admission fee special consumption tax rate: changed from 100 percent of admission fee to 5,000 won.

#### **\* Strange Undercurrent Between Ministries**

952C0002B Seoul HANGUK KYONGJE SINMUN in Korean 10 Sep 94 p 3

[By reporter Pak Yong-kyun]

[FBIS Translated Text] An untimely power game is unfolding between economic ministries over proposed revisions of tax laws, such as special consumption taxes, in which the interests of business circles are entangled. When the finance ministry ignored the opinions of the Ministry of Trade, Industry, and Energy [MOTIE] in a meeting of economic vice ministers for dealing with revisions of special consumption tax rates, one Economic Planning Board [EPB] official asked whether the discord between the ministries was not linked to the policy decision-making process as well. When the finance ministry reflected 100 percent of the EPB position in its plan, these officials seemed rather suspicious. MOTIE put together the opinions of industry concerning the special consumption tax rates on home electronics,

etc., but when the Ministry of Finance flatly refused this, MOTIE officials looked bewildered. Concerning this, one EPB official who had participated in the economic vice ministers meeting said, "In the past too, the finance ministry has thought little of MOTIE's opinion, calling it the story of industry, but it has never ignored [MOTIE's opinion] like this." He drew attention with his explanation that this was due to the relationship between rigid vice ministers. In fact, MOTIE has just given up on pushing forward with its position to revise the corporate tax law as well. This reflects the strange undercurrent running between ministries.

**\* Nonpayment of SMB's Debts Reportedly on Rise**

942C0223A Seoul *SILMUL KYONGJE* in Korean  
14 Sep 94 pp 27-29

[Published by the Korea Institute for Industrial Economics & Trade (KIET), written by researcher Yi Taeyong]

**[FBIS Translated Text]**

The economy appears to be expanding, but nonpayment of debts by small and medium-sized businesses [SMB's] is on the rise. August's dishonored-bill rate reached the highest level ever. What is peculiar about recent developments in SMB nonpayments is the rapid increase in the number of dishonored household checks. In this article, we examine nonpayment by SMB's and analyze its causes.

**Nonpayment of SMB Debts Continues To Rise Despite Economic Expansion**

Despite the fact that the economy is showing signs of expanding, nonpayment of SMB debt continues to rise. The GNP recorded a growth rate of 8.5 percent over the first half of this year, thanks to a large increase in exports and facilities investment during the period, the Bank of Korea [BOK] announced. This is the highest growth rate since the second half of 1991 (10 percent).

However, a total of 4,943 companies failed to make payments during the first half of 1994. This is an increase of no less than 568 companies over the 4,375 that failed to make payments during the first half of 1993, when the national economy was very stagnant. A total of 922 businesses dishonored bills in July, an increase of 201, or 27.9 percent, over the 721 who defaulted during the same period in 1993.

Based on money amounts, the dishonored-bill rate is showing a continuing tendency to increase, going from 0.13 percent in January, to 0.15 percent in April, to 0.17 percent in May, to 0.18 percent in August. The national dishonored-bill rate for August in particular was the highest recorded since the BOK started tabulating data.

Looking at defaulting companies by type, most are SMB's producing goods for domestic demand. Individually owned enterprises in particular make up approximately 60 percent of all defaulting companies.

**Rapid Increase in Dishonored Household Checks Leads Rise in Dishonored-Bill Rate**

Concerning recent changes in the dishonored-bill rate, one characteristic that differs from the past is a rapid rise in the number of dishonored household checks. The dishonored-household-check rate in the second quarter of 1994—2.46 percent—had increased greatly over the same period last year—a mere 0.94 percent—according to a BOK study.

Thus, during this period the portion of unpaid debt [nationwide] that was due to dishonored household checks increased 5.4 times, from 3.3 to 17.8 percent. This is the main reason for the rise in the dishonored-bill rate, analysts say. The percentage of dishonored household checks approached the 20-percent mark in July, reaching 18.3 percent. This sudden increase in the dishonored-household-check rate is thought to be due to the fact that, when settling their bills, SMB's are shifting from transferring bills to paying with household checks.

This is because the limitation on the issuance of household checks has been relaxed considerably (in the case of the self-employed, from W2 million to W5 million) in order to amplify payment methods after the real-name financial system was implemented in August 1993. In this process, small-scale, independent businesses, which are financially weak, overdraw their household checking accounts. This trend is growing.

**Industrial Restructuring Also Major Factor**

It appears that since household checks are being used to make private-loan transactions, which previously had been conducted using bills, bonds, etc., the nonpayment of some private loans is being included in the dishonored-household-check rate, causing it to rise.

The recent rise in the dishonored-bill rate is continuing and the number of defaulting companies (in terms of absolute numbers) is increasing over a normal year. We cannot overlook aspects of this which, along with a shortage of funds at SMB's, are due to structural factors.

Heavy and chemical industries showed a rapid 13.2-percent growth rate in the first quarter and a 13.1-percent growth rate in the second quarter. However, light industries grew slowly—1.2 and 2.9 percent respectively during the same periods. The footwear industry in particular continues decelerating growth, at rates of -25.6 percent in the first quarter and -24.4 percent in the second quarter. The textile and clothing industries registered a -2.7-percent growth rate in the first quarter and a 0.1-percent growth rate in the second quarter.

Our economy continues to expand, but economic polarization is intensifying between the electronics, auto, machine, chemical, and other heavy industries—which are enjoying a special demand for exports due to foreign factors such as the high yen—and footwear, textile, and other light industries.

That this economic expansion is centered on the heavy and chemical industries can be viewed, from a medium-to long-term perspective, as a process of the restructuring of industry. That is, the dishonored debts of SMB's managing production activities in the light-industry sector can be viewed as the nonpayment of marginal enterprises in slow-growth industries.

Although recently the number of defaulting companies has been increasing over last year, newly formed companies are steadily appearing at a more rapid pace, according to data tallied by the BOK. Compared with the number of defaulting companies nationwide during the latter half of 1993, the [average] number of newly established corporations in the nation's seven major cities was 1.2. There were approximately 20 percent more new corporations than defaulting ones. During the first half of this year this number was 1.5, showing that there were approximately 50 percent more newly established corporations than defaulting corporations. (This number would be higher if the number of new corporations were calculated based on national figures.)

This indicates the vigorous restructuring of industry recently through the retreat of marginal enterprises and the founding of new companies following economic recovery.

#### Financial Difficulties of SMB's Big Problem

In addition to the two factors above, we can find the cause of the great increase in nonpayment of SMB debts, despite a booming economy, in the intensifying financial difficulties of SMB's, which lack the ability to secure loans.

As the financial-liberalization trend progresses, small companies with little collateral are having more difficulty raising money. This is because there has not been much credit-guarantee support for small businesses due to the high subrogation rate of the last two to three years.

Consequently, as long as there is no concrete plan for systematically expanding the ability of SMB's to secure loans, their difficult financial situation will not be easily improved.

Therefore, various measures for alleviating the financial difficulties of SMB's, alienated at the bank window because they lack the ability to secure loans, are urgently needed. For example, such measures could include: credit discounts on genuine bills, expansion of financial contributions to trust guarantee funds, and plans to expand the use of unsecured loans in the institutional finance sector by establishing a credit-evaluation system centered on technology and business prospects.

**Trend of Recent Nonpayment-Related Indicators (National)**

	1993 (Quarter)				1994 (Quarter, Month)							
	First	Second	Third	Fourth	First	Second	Apr	May	Jun	Jul	Aug	
Dishonored-bill rate*	0.12	0.11	0.11	0.16	0.14	0.16	0.15	0.17	0.17	0.16	0.18	
Defaulting companies	2,327	2,048	2,307	2,820	2,357	2,586	851	848	887	922	-	
Exporters	25	12	222	34	23	9	4	50	1	-		
Nonexporters	2,302	2,036	2,285	2,786	2,329	2,577	847	843	887	921	-	
Conglomerates	1	0	1	4	3	2	1	0	1	0	-	
Incorporated SMB's	773	711	844	1,068	903	996	34	315	341	385	-	
Individually Owned Enterprises	1,553	1,337	1,462	1,748	1,451	1,588	510	533	545	537	-	

\*percent. (Source: Bank of Korea)

## Brunei, Malaysia & Singapore

### Malaysia

#### \* Minister Seeks More Technology Transfer

95SE0061A Kuala Lumpur UTUSAN MALAYSIA in Malay 9 Nov 94 p 13

[FBIS Translated Text] Kuala Lumpur, 8 November—Minister of International Trade and Industry Rafidah Aziz has said that there are still many opportunities for technological development in Malaysia, particularly in the canning industry, although a great deal of progress has been made from the point of view of technology transfer.

When she opened "Seminar and Exposition '94 on Small- and Medium-Sized Industry" (SMI) on 8 November, she said: "If technology transfer can be divided into three levels, that is, receiving technology for producing consumption goods, receiving technology for producing durable goods, and developing technology on our own, Malaysia is at the stage of receiving technology for producing consumption goods."

Recent, careful research carried out by the United Nations Development Program concerning the transfer of technology to Malaysia in the fields of electronics and electronic manufactured goods and secondary industry in Penang show that the situation in Malaysia at present is not particularly propitious for doubling the level of technology on a continuing basis.

This careful research also indicates that most of the technology transfers have been at a low and simple level. Most of the agreements on technology transfers have only involved foreign companies operating in Malaysia and not companies owned by Malaysians.

Although technology transfer is taking place at a rather slow pace, there are signs of a movement from the level of receiving technology for producing consumable goods to the level of receiving technology for producing durable goods and developing technology on our own.

Aware of how necessary it is to strengthen our competitiveness over the long term, Rafidah said that it is important for Malaysian companies to continue to improve their technological capability, develop their innovative ability, and look for ways to use new technology.

She added: "For that reason the Seminar and Exposition on Small- and Medium-Sized Industry in 1994 is aimed at strengthening the competitiveness of small- and medium-sized industry through innovation and modernization."

The 1994 exposition is the third in a series to be held at the national level. The first exposition was held in 1992 and led to the sale of goods valued at from 20 to 24

million Malaysian ringgits. The second exposition held in 1993 led to the sale of goods valued at from 21 to 26 million ringgits.

The Ministry of International Trade and Industry has held two small- and medium-sized industrial expositions at the regional level, the first of which took place in Penang in 1993. It resulted in the sale of goods worth 3.6 million ringgits. The second regional exposition was held in Sarawak in August 1994 and resulted in the sale of goods worth 14.1 million ringgits.

A total of 143 companies consisting of 129 small- and medium-sized industries, nine major companies, two company groups, and three financial institutions took part in the 1994 regional exposition. Rafidah also attended a ceremony at which a trilateral agreement was signed under the Vendor Development Program (VDP), involving the Ministry of International Trade and Industry, three international and indigenous tribal companies, and three banks.

These companies included Dragon Furniture (M) [of Malaysia], Inc., and SMK Electronics (Malaysia), Inc., while the banks involved are Perwira Affin Bank, Inc., Oriental Bank, Inc., and Malaysian French Bank, Inc.

Rafidah added: "With the signature of the agreement on 8 November a total of 43 MNC [multinational corporations] and large scale industries (LSI), as well as 13 financial institutions have taken part in the government's Vendor Development Program."

#### \* MP Urges Increase in Defense Budget

95SE0060A Kuala Lumpur UTUSAN MALAYSIA in Malay 16 Nov 94 p 3

[FBIS Translated Text] Kuala Lumpur, 15 November—The national defense system needs to be improved from time to time even if it is criticized by neighboring countries which are not pleased at action taken by Malaysia to purchase arms and to introduce new programs such as the establishment of the Rapid Deployment Force (PAC).

Ibrahim Sareh, a member of Parliament from Jelebu who recently praised the establishment of the PAC, said that as a nation which will reach the stage of a developed country Malaysia cannot ignore the state of its national defense simply because this has been criticized by outside observers.

When he discussed the draft Military Equipment Law of 1995 in the People's Council on 15 November, he said: "Defense cannot be forgotten or ignored. When the Malaysian defense system is compared with that of neighboring countries, discussions of the Malaysian defense system can be said to be far out of date."

He continued: "Although recently our defenses have received more attention, I feel that even that has only involved reorganizing what was already on hand." He said that the country must have the best system of

defense to deal with possible developments, because there is no "second best" in war.

He also stated that the activation of the PAC in October 1994 caused certain groups, particularly in neighboring countries, to express concern about this action. In his view these groups regarded this action as the beginning of an arms race in this area of the world. They also made a variety of other comments.

He said: "Indeed, there are groups that are not satisfied with or express doubts over the actions which we have taken, for example, including the activation of the PAC and the Halintar [Thunderbolt] Exercise held in Langkawi [State of Perlis, near the Thai-Malaysian border] as Malaysian preparations to use its military forces to defend Pulau Ligitan and Sipadan." He continued: "It is possible that this view was merely a matter of newspaper sensationalism."

Ibrahim declared that as a free and sovereign country Malaysia is responsible for and has the right to take care of its own security. He said: "We cannot in any way depend on other people in this regard."

#### \* Daim Not Leaving UMNO Treasurer Position

*95SE0060C Kuala Lumpur UTUSAN MALAYSIA in Malay 10 Nov 94 p 1*

[FBIS Translated Text] Kuala Lumpur, 9 November—Daim Zainuddin, former minister of finance, denied on 9 November rumors that he has resigned his positions as national treasurer of UMNO [United Malays National Organization] and government economic adviser.

Daim, who is also a member of Parliament from Merbok, stated that he did not know anything about the report. He considered the report nothing more than a mistake or a rumor. He made this statement when he met reporters at the Parliament building on 9 November.

When he was asked to comment on the report of his resignation, he said: "That is not true."

Asked whether he still held those positions, Daim nodded his head and said: "There is nothing to do. It is a matter of looking for something to do."

Regarding who was behind the dissemination of the rumor, he said: "I do not know. None of that is true. I do not know who made up that story. I have just returned (from a trip outside the country)." He advised people not to listen to the rumor because none of it was true.

Regarding the report of tension in his relations with Deputy Prime Minister Anwar Ibrahim, Daim stated that Anwar is a good friend of his and that there is no reason for tension to exist between them.

Asked to comment on his recent failure to attend the UMNO Supreme Council meeting, Daim said that at the time of the meeting he was out of the country on business.

He said: "I was on a business trip to make money. If I had been here, I would have attended the meeting. I had no reason not to come. The same is also true of the UMNO Supreme Association meeting this month. If I had been here, I would have attended. I also attended the meeting to approve the State Budget for 1995."

Regarding the fall in share prices on the Kuala Lumpur Stock Exchange (BSKL), Daim did not comment.

#### \* UMNO Membership Surpasses Two Million

*95SE0060B Kuala Lumpur UTUSAN MALAYSIA in Malay 16 Nov 94 p 2*

[FBIS Translated Text] Kuala Lumpur, 15 November—Present membership in UMNO [United Malays National Organization] has reached a total of 2,115,703, compared with the previous total of 1,954,653. The increase is a result of the efforts of membership increase committees which have been established and have begun their work in every branch, section, and neighborhood of the country since the beginning of 1994.

Najib Tun Razak, the chairman of the national level Membership Increase Committee, said that during the increased membership movement a total of 232,189 people were also registered as new voters.

Najib, who is also deputy president of UMNO, announced that the increase in membership of 150,837, or 7.23 percent, covered the period from March to October 1994 only. He anticipated that the overall total will be above 2.2 million members in the near future.

He said to reporters at a news conference on this matter at his office in the Ministry of Defense in Kuala Lumpur on 15 November: "When membership application forms which are still being processed at the branch and section level are sent to party headquarters in the near future, we anticipate that total UMNO membership will exceed 2.2 million."

Najib said that Sabah was the state which recruited the largest number of new members, or 40,059 people, followed by Selangor, with 20,808 new members and Pahang, with 20,435 new members. The state with the smallest number of new members was Perlis, with 1,129 new members or 3.1 percent of the total number of UMNO members in that state.

Furthermore, Najib said, in a number of areas in Selangor, Kedah, and Penang the campaign showed good indications of unity in the Malay community because it successfully attracted many members of opposition parties, particularly from Semangat 46 and PAS [Pan-Malaysian Islamic Party], to join UMNO. He said: "Indeed, in certain areas Semangat 46 and PAS completely disappeared because their members joined UMNO."

He stated that in Kelantan UMNO also succeeded in persuading Yaakub Mohamad, the chief of the Information Department of Semangat 46 in that state, to join UMNO. Now he has become a "strong man" for UMNO in Kelantan.

Najib also touched on the effort made by the UMNO committee in Kelantan to increase the percentage of UMNO members among Malay voters. He said that he was very proud of this effort.

He added: "Sabah and Pahang have turned in glittering performances. All of the party sections in these two states recorded increased membership percentages of more than 50 percent."

In any case, he said, the states that have not yet reached a figure of 50 percent voter registration among the Malay community have been asked to continue their efforts to reach that goal.

### Singapore

#### Thai Foreign Minister Departs for Jakarta

BK0601101995 Bangkok BANGKOK POST in English  
6 Jan 95 p 2

[FBIS Transcribed Text] Singapore—Thailand is ready to hold a meeting of Asian and European leaders in Bangkok immediately after the summit of the Association of Southeast Asian Nations, Foreign Minister Thaksin Chinnawat said yesterday.

The proposed meeting could be held "back to back" after the summit of ASEAN leaders depending on the readiness of the participants, Mr Thaksin told reporters before leaving for Indonesia.

"I'll have to work that one out," he said, adding that he is in consultation with his ASEAN counterparts.

Thailand is scheduled to host the next ASEAN summit meeting on December 14-15. The foreign minister said the venue is still open and it will not necessarily be Bangkok. Each country concerned will need to make a decision.

It is not good timing for the back-to-back meeting because the European Union has its own meeting at the same time, he quoted Singapore's Foreign Minister Shunmugam Jayakumar as saying.

The issue is to be raised when Mr Thaksin meets Indonesian Foreign Minister Ali Alatas today in Jakarta to determine Indonesia's stance.

Meanwhile, France, as chairman of the EU, is consulting EU members on the summit, the foreign minister said, adding that there is still no response from that country.

ASEAN countries have no clear position on the proposed idea.

Mr Thaksin made clear that Thailand supported the proposed meeting, which was pushed by Singapore.

Singapore's Prime Minister Goh Chok Tong raised the issue when he visited France before the Asia Pacific Economic Cooperation summit meeting in Indonesia last year, one Foreign Ministry source said.

The participants in the Asian-EU summit are another question. The sources said Singapore had proposed China, Japan and South Korea.

In Singapore, Mr Thaksin met with Singaporean Deputy Prime Minister Lee Hsien Loong and visited Thai workers on separate occasions.

The Singaporean deputy prime minister had agreed to lower the tax on foreign workers' employment, Mr Thaksin said.

Singapore charges foreign workers S\$400 a month. The tax is paid by the employment agency and the money is taken from the worker.

### Cambodia

#### Malaysia Invests \$1 Billion in Development

BK0501071995 Phnom Penh REAKSMEI  
KAMPUCHEA in Cambodian 5 Jan 95 pp 1, 4

[FBIS Translated Text] The trade relations between Cambodia and Malaysia are at their strongest point when the Cambodian Government signed in Kuala Lumpur on 2 January with the Malaysian company Ariston Sdn Bhd the biggest project to develop Sihanoukville with a \$1-billion level of investment.

REAKSMEI KAMPUCHEA reports from Kuala Lumpur that Sok An, co-minister of the Council of Ministers office; Sun Chanhol, secretary general of the Cambodian Development Council (CDC); and Dato Dr. Chen Lip Keong, the owner of the Malaysian company Ariston, signed the development project. Furthermore, the ceremony strengthening the trade and investment relations between the two countries was held under the chairmanship of Cambodian Coprime Ministers Prince Krompreah Norodom Ranariddh and Samdech Hun Sen and Dr. Mahathir Mohamed.

Prince Krompreah Norodom Ranariddh said: "This is a great success in the investment sector with Malaysia. The investment capital reached \$2 billion at the beginning of this year, including the just-signed project worth \$1 billion." He said that 70-75 percent of this capital is from Malaysia.

The press communique released in Kuala Lumpur by Ariston on this great signing ceremony affirmed that since Cambodia's new investment law took effect in August 1994, investment in Cambodia has reached \$2 billion, including the project just signed with Ariston.

It is worth recalling that in early December 1994, Ariston was selected by the Cambodian Government in the bidding to undertake the project to develop Sihanoukville, the biggest project in Cambodia to attract foreign tourists in the future.

The same communique also said that Dr. Lip Chen Keong is the owner of the parent company, Lipkland

Group, that incorporates Ariston, a well-known company among Malaysia's trade enterprises. He is also the chairman of two other companies, FACB Bhd and Kanzen Bhd. Over the past 20 years Dr. Chen's companies and their subsidiaries have amassed a fortune worth over \$2.3 billion and have accumulated experience in real estate property, tourism, and development of resorts.

The communique of the Ariston Company further affirmed that the huge joint development project in Sihanoukville is in accordance with the Cambodian Government's direction of wanting to create jobs, and it is expected that this project will widen job opportunities and create a good climate for investment. The huge project to develop Sihanoukville undertaken by Ariston and other Malaysian companies shows the selection and confidence of the foreign investment community in its quest to invest in the country. This huge project will become a force promoting Cambodia as a big tourist center in developing Southeast Asia.

Ariston will draft various projects to rehabilitate and develop Sihanoukville's infrastructures, including setting up a power plant; providing a clean water system, sewage; building a highway linking Sihanoukville airport to Sihanoukville port; rehabilitating and improving the local airfield in Sihanoukville to become Cambodia's second international airport capable of accepting large aircraft; developing a business center, industry, holiday homes, hotels, a golf course, a casino on Kaoh Puoh island, and cable cars linking Sihanoukville and Kaoh Puoh Island; and organizing boat cruises.

The press communique also affirmed that the majority of the above projects will be constructed on the basis of the build-operate-transfer (BOT) scheme.

#### **Khmer Rouge Radio Comments on Troop Defections**

*BK0501035595 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 4 Jan 95*

[Unattributed commentary: "Exposing the Deceitful Propaganda War of the Two-Headed Traitors and Their Masters"]

[FBIS Translated Text] Lately, different sectors of the government's propaganda machine took turns shouting about what they called Khmer Rouge defections. This is a deceitful propaganda aimed at covering up their disintegration in every field, particularly military, economic, and financial.

In the military field, everyone knows and openly says that the two-headed government has no troops to fight. Their troops consist only of ghost soldiers on paper and the ones who are fleeing battlefields in droves and in units. Since the recent dry season and rainy season, between 70 and 80 percent of their troops have been

crumbling. Thus, to cover up this disastrous and panicking situation, and to boost their troops' morale, they have staged this event.

In the economic and financial sectors, they are also in a serious situation. According to Sam Rangsi, without foreign aid, the traitorous two-headed government certainly cannot survive for more than two weeks. This is their economic and financial situation; they really have nothing left.

The people have clearly seen this. Salaries of their officials and troops have not been paid for months. At some places, not a riel has been seen for over a year. On top of this, millions of people are starving.

The two-headed traitors and their masters are in a death position to the point of resorting to a trick used by Alev [a figure in a Cambodian folk tale known for his mischievous behavior] to get out of a tight corner from time to time. However, this old trick has also been exposed and condemned. This death position is emerging clearly; there is no doubt about this.

In such a situation our nation and people only have to finish them off and bury these guys in the grave of national treason so that our nation and people can avoid all kinds of suffering.

#### **KR Radio on Military Situation in Preah Vihear**

*BK0501043695 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 4 Jan 95*

[FBIS Translated Text] Since the end of October 1994, the two-headed government has made preparations for a large-scale offensive during this dry season on the Preah Vihear battlefield.

The enemy force consists of troops from the 1st Military Region in Stung Treng, the 4th Military Region in Siem Reap, auxiliary troops from Preah Vihear and Kompong Thom Provinces, and troops from Prey Veng, Kompong Cham, Svay Rieng, and Kratie. Altogether, there are over 3,000 soldiers along with tanks, artillery pieces, and multiple-rocket batteries.

Since the end of November 1994, what is the situation?

1. Ninety-five percent of the Chhep road has been cut. We have basically smashed the enemy transport activities using vehicles and carts. Thus, 95 percent of the Chhep road from Stung Treng to Chhep and from Chhep to Tbeng Meanchey have been cut.
2. Route 12: Since the end of October, this road has been basically cut off. The stretch from Chi Aok, north of Sala Visai, to Phnum Dek has been basically cut off. The O Ta Lok-Svay Pak stretch has also been basically cut off. Therefore, the enemy lifeline for the military operation in Preah Vihear has been basically cut.

Three thousand soldiers have been deployed everywhere in Kulen, Sangkum Thmei, Choam Khsan, and Tbeng Meanchey. These are deployed along provincial roads and Route 12 and along the An Seh road. These troops are starving and are short of fuel and medicine. They have been killed daily by mines, punji stakes, and our snipers. Four or five are killed daily.

Therefore, tanks and vehicles have no fuel and are motionless. Soldiers lack food, die, are wounded and sick; they have successively deserted their ranks. Now these troops' morale is really low. The new troops—supposedly to reinforce and assist those in Preah Vihear—are not able to come. Prum Samen, the 4th and 1st Military Regions, and the general command of the puppets in Phnom Penh have set up new transport lines from Stoung to Kulen along the Khav-Phnum Ream direction, toward Srayang and Kulen through the forest. However, they could not do this because of punji stakes and mines and the successive attacks by our guerrillas. To this day, these efforts to open new lines have been thwarted. Prum Samen is whining in desperation like a mad dog stabbed by a two-pronged spear across its throat.

Since the end of October, we have destroyed eight vehicles, two armored vehicles, and two tanks—two more tanks have been damaged. We have killed 195 enemy soldiers with mines, punji stakes, and sniping attacks; 365 have been wounded. Seven hundred soldiers are down with malaria; over 500 have deserted. Troops are dwindling down; only over 1,000 left. These are deployed along the Chep road, Route 12 to Tbeng Meanchey, Kulen, Choam Khsan, and along the An Seh road. At many places, troops cannot be supplied. Soldiers are increasingly short of food, sick, and dying. They continue to desert. The transport line is now through the air using helicopters. This activity is on and off; one or two trips made in about 4-10 days.

Therefore, observers inside and outside the country realize that the fools planning the strategy and tactics for this operation in Preah Vihear are ignorant of Cambodia's geography—terrain and economic situation—in Preah Vihear. These guys have been led astray by their ideas. They have brought troops and left them in desolate areas far away from supplies provided from Phnom Penh. This is bleak. Now these invading troops are trying to secure fuel, rice, and materiel from Thailand through the An Seh and the three-border area to supply their infantry troops, their equipment, and artillery pieces.

However, the Thai Government and Thailand's National Security Council have officially and successively decided to close the An Seh and the three-border areas. Furthermore, villagers and officials in the An Seh area, who have successively been victims of robbery committed by puppet troops of communist Vietnam and the two-headed government, have made efforts to close this area, not to interfere in Cambodia's internal affairs, and absolutely not to fuel war in the Phnum Dangrek

mountain range because once fighting starts it will spread to their houses and villages and affect their lives. This is a certainty because these bandits have robbed the Thai people from the three-border area, Nam Yoen, (Paet Um), down to Aranh. The Thais have been robbed everywhere day and night; Thais have been successively killed or wounded. The Thai people and the Thai Government want peace in Cambodia, particularly peace along the Cambodian-Thai border so that the Thai people there have peace and their houses are not burned by bandits, puppet troops of communist Vietnam and the two-headed government.

## Indonesia

### Suharto Unveils Draft State Budget 5 Jan

BK0501131795 Jakarta TVRI Television Network in Indonesian 0335 GMT 5 Jan 95

[Speech by President Suharto presenting the 1995-1996 Draft State Budget to the House of Representatives in Jakarta—live]

[FBIS Translated Excerpt] Honorable speaker, deputy speakers, and members of the House of Representatives, honorable invitees, my fellow countrymen: Peace be upon you!

Today, I feel happy because I am able to carry out my constitutional duty as president of the Republic of Indonesia to present to the honorable House the draft state budget for the second year of the Sixth Five-Year Development Plan. [passage omitted]

A severe drought occurred in the second half of last year. As a result, the agricultural sector was expected to achieve lower growth and be unable to grow by 3.3 percent as expected. On the other hand, a better tendency was seen in the growth of the industrial sector. Our current efforts to mobilize the industrial sector as an engine of development have paid off. The growth of exports suffered from minor pressure. This was reflected in the relative slow growth of exports compared with that of the previous year. Meanwhile, imports, particularly nonoil and nongas imports, increased. Based on this outlook, economic growth for 1994 is expected to be 6.5 percent, surpassing the 1993 growth. Thus, the target of 6-percent economic growth during the first year of the Sixth Five-Year Development Plan has been surpassed. We also expect to top an average economic growth rate of 6.2 percent annually during the Sixth Five-Year Development Plan.

The prospects for our economy are expected to remain bright in 1995. Various opportunities to further enhance economic growth are lying ahead of us. Investment is expected to continue to increase. The deregulation packages on investment, industry, trade, banking, and other sectors issued over the past several years have begun to bear fruit. In addition to directly increasing national

production, higher investment has also become the catalyst for other activities, which will in turn spur economic activities. Higher investment will also expand job opportunities, which will increase the people's incomes. Export prospects have engendered hope. Export growth is expected to increase again this year. Various opportunities will be opened up because the global economic situation, which has greatly influenced our export growth, will tend to further improve in 1995. Manufacturing industry is expected to grow more compared with last year. We hope that a long drought will not reoccur this year. Thus, the agricultural sector should grow better. We also hope that our continued efforts to develop the industrial sector will bear more fruit. Thus, we will be able to meet our domestic needs and increase exports.

- Indeed, higher growth is absolutely necessary to achieve the development target. Thus, we should thank God for our success in increasing economic growth. However, we must be cautious regarding the encouraging progress. We experienced an unpleasant situation in 1991. At that time, rapid growth overheated our economy. As a result, our macroeconomic commodities were strongly affected. We must prevent economic stability from being disrupted because this will lead to a setback or hamper smooth development. Accordingly, we should not be careless. We must take into account all possible events and take appropriate measures to consistently maintain economic stability.

In 1994, inflation reached 9.24 percent. Although the inflation rate remained in single digit figures, this was too high because it was much higher than an annual 5 percent rate targeted during the Sixth Five-Year Development Plan. The relatively overheated economy was reflected by a current account deficit, which was estimated to be about \$2.2 billion until the third quarter of 1994. This was a high increase compared with that of the same period last year. This was attributed to slower economic growth and a faster growth in imports and services. The current account deficit will be higher in 1994 than in 1993. Meanwhile, the foreign exchange reserve will be sufficient to meet about five months of imports. We must remain consistently vigilant toward foreign debts. Development needs large amounts of investment and cannot be totally financed with domestic funds. Thus, we seek foreign funds as a complementary factor. As more debts, particularly government debts, reach their maturity date, large sums of money will be needed to repay them. In spite of this, debt repayment remains within safe limits.

We must be vigilant toward private sector debts because their development is difficult to predict. We adopt a free foreign exchange system. As the global economy becomes more open, the flow of capital will become faster. Commercial loans by members of the private sector generally contain difficult terms on interest rates and a repayment period. Thus, we hope that members of the private sector will seek loans on the basis of correct

calculations and thorough considerations. In this way, the loans will not cause future problems for the relevant businessmen in particular and the national economy in general.

We should pay serious attention to what I have said. This is to ensure that economic growth, which is expected to remain high, will not become a boomerang for us. We must all ensure that the high economic growth will go hand in hand with a stable economy and will, thus, benefit the masses in terms of better welfare. The people's broad participation in development and a high degree of efficiency and productivity need to be enhanced to build a strong economy and bring about welfare for the people more fairly and evenly. The ability merely to produce is not sufficient. The ability to produce must be followed by the ability to compete in the domestic and international markets.

The issue of protection has been widely discussed over the past few months. The issue is closely related to our ability to compete. A strong technological basis and a strong economy are clearly needed to establish strong and solid industries. In an era of a stronger global competition, all industrialists must by all means further enhance their competitiveness. However, we also realize that the process will take time. Thus, we must reduce protection for domestic industries in a very selective, systematic, and gradual manner.

We must be far-sighted in planning our industrialization. We want to build a reliable and independent national industrial structure. The strong must be ready to face the strongest competition. Accordingly, our industrial base must be solid. Our upstream and downstream industries must be strongly linked. This is to further ensure their competitiveness and independence. Thus, we must not hesitate to build upstream and intermediate [as heard] industries, if they are needed, to provide a solid industrial base. Accordingly, we must study economic conditions to enable the upstream and intermediate [as heard] industries to grow well.

Protection is a means which can be extended if necessary. However, certain conditions must be met. First, protection can be extended for a limited period and should be gradually reduced. The faster the reduction the better it will be. Second, protection should not contravene with international accords such the GATT, AFTA [ASEAN Free Trade Area], and APEC [Asia-Pacific Economic Cooperation]. Third, the level of protection should not arrest or hamper the development of downstream industries. A high degree of protection will lead to a high production cost on downstream industries and will, thus, eliminate competitiveness. Given an understanding of this clarification, I am confident that the issue of protection will not become a long-standing problem. [passage omitted]

The development of economic infrastructure remains important. Such development is increasingly aimed at boosting the growth of various sectors such as industry.

agriculture, and services, including tourism. We have accelerated the development of infrastructure in backward rural areas and in areas outside Java, particularly those in Eastern Indonesia. The people have been involved in government projects, particularly in rural areas. This is to enable the local people to implement projects in their own areas as much as possible.

Procedures on drafting the development budget continue to be improved to enhance efficiency and productivity. Thus, development projects will be linked with one another to enable us to achieve the target of the Sixth Five-Year Development Plan.

Simultaneously, supervisory work has been enhanced to enable development to proceed efficiently and prevent leakage and waste.

The development budget moves in two directions, that is, from Central Government to the Provincial Administrations and vice versa. The structure of the budget is based on the national development policy, macroeconomic considerations, and the industrial sector's targets and priorities. It has also been drafted to balance with the people's aspirations, the potentials, and the real situation in the provinces.

Based on such ideas and considerations, the government now wishes to present to the honorable House the amount of the 1995-1996 draft state budget, which is set at 78 trillion rupiah. There is an increase of 11.9 percent when compared with the current budget. Domestic revenues are expected to reach about 66.3 trillion rupiah. Development revenue is targeted at about 11.7 trillion rupiah, made up of foreign assistance to finance projects.

Oil and gas revenues have been set at about 13.275 trillion rupiah, and revenue from nonoil and nongas sectors is expected to be about 53 trillion rupiah. This is an 80 percent domestic receipt when compared with the 78.5 percent in the 1994-1995 budget and at the same time indicates that the state revenue has become stronger.

Under the 1995-1996 draft budget, the price of oil is calculated at U.S. \$16.5 dollars per barrel. We have to be cautious when fixing the price of oil because there are many factors influencing it. Based on the U.S. \$16.5 dollars per barrel calculation, the revenue from oil and gas sectors is expected to increase by 3.3 percent in the current fiscal year. Net profit from oil is expected to be about 1.5 trillion rupiah. Revenue from nonoil and nongas sectors is set to show a 13-percent increase compared with that in the current budget.

Income tax revenue is expected to increase by 12.3 percent due to the increase in the value added tax, customs and excise tax, and land and building assessment tax. With the implementation of the new tax law for income tax, there will be very little increase in the income tax revenue—about 2.1 percent.

According to medium- and long-term planning, revenue from income tax, which is earned from the people's economic activities, is expected to increase again.

Capital investment is expected to be more active with the issuance of incentives based on the new taxation system. Nontax revenue is expected to grow by 51.2 percent.

The draft budget for routine expenditure is 47.2 trillion rupiah, an increase of 11.5 over the current budget. The biggest amount of the routine expenditure, that is, about 23.3 trillion rupiah, will be spent on financing the civil servants. The increase is 18.3 percent.

The government realizes the significant roles played by the Indonesian civil service and Armed Forces officials in carrying out their duties to ensure a smooth development process and to protect the nation. The government is aware of its responsibility to increase the salaries of the civil service and the Armed Forces personnel. However, the government is still faced with financial limitations. Therefore, salary increases for civil servants are still limited. The government has decided to raise the allowances for civil servants, civil service, and armed forces pensioners, and the widows of deceased armed forces pensioners. The increase is only 10 percent and the new salary scale will take effect in stages. [passage omitted]

Honorable session, given the estimated domestic revenue and routine expenditure, expected government funds are set at about 19 trillion rupiah, an increase of 9.4 percent over the current budget. The amount is almost the same as that estimated for the second year of the Sixth Five-Year Development Plan.

Development revenue originating from foreign aid is estimated to be 11.07 trillion rupiah. Foreign aid received in the second year of the Sixth Five-Year Development Plan has been estimated at 11.4 trillion rupiah. The bigger amount estimated under the Sixth Five-Year Development is due to our ability to utilize foreign loans efficiently; thus, the implementation of foreign-funded projects can be accelerated. Therefore, the available development fund is about 30.8 trillion, an increase of 12.4 percent compared with the current fiscal year.

There are 10 sectors that had been allocated a development fund of over 1 trillion rupiah, and among them there are five sectors that will receive more than 2 trillion rupiah. They are the regional development sector, which includes the transmigration program; the transportation sector, which includes meteorology and geophysics; the mines and energy sector; the education and culture, faith of the Almighty God, youth, and sports sectors; and the irrigation sector.

The other sectors that have received a budget exceeding 1 trillion are the defense and security sector; the agriculture and forestry sector; the housing and resettlement sector; the sector for social welfare; health; women's

roles; children and adults' programs; and the tourism, posts, and telecommunication sector.

The huge amount for these sectors reflect the government's development priority in accordance with the mandate of the 1993 Broad Outline of State Policies, that is, to develop the national economy through the development of economic infrastructure and facilities, particularly in backward areas, villages, the eastern part of Indonesia, and in sectors that deal with human resources. The allocation of the fund also reflects the national development efforts that are always focussed on the basis of the trilogy of development.

It does not mean that the other sectors which are not receiving a large development allocation have been given a low priority. The difference is in the differing type of needs compared with the sectors that require physical investment.

Briefly, I wish to outline some prominent matters that are related to the development of some sectors and sub-sectors. The industrial sector is to receive a development budget of about 497 billion rupiah. The process of industrialization plays an important role in the national economic development—as a source of strength for growth and, at the same time, for raising the average income. This means the industrial sector should be able to grow and develop into a highly competitive industry based on a strong economic, industrial, and technological structure. [passage omitted]

The budget allocated for the agricultural and forestry sector is 1.1 trillion rupiah. Development in the agricultural sector continues to be significant and strategic in the structural transformation of the national economy. There is a decreasing contribution from the agricultural sector to the GNP. However, this sector remains one that absorbs the biggest work force. Its food production has earned foreign exchange and it is the supporter of the industrialization process, especially in providing basic and raw materials. Therefore development activities in this sector will continue. [passage omitted]

The preservation of the forests will be a priority in the development of forestry. This will be carried out through the expansion of a forest management system, the diversified utilization of forests and forest products, and the abilities of businessmen in small- and medium-scale businesses in forest development. Special attention is given to the development of forest areas by local people and the rural cooperatives. [passage omitted]

Undoubtedly, the development of the irrigation network is very important for the opening up of new areas of cultivation for agricultural products in the effort to sustain food sufficiency. In the 1995-96 fiscal year, 90,000 hectares of new field will be planted with paddy crop. The budget allocation for the development of the irrigation sector is over 2 trillion rupiah, increased substantially by 21 percent. About 60 percent of the allocation will be used for irrigation projects outside Java Island.

We understand that the improvement of the quality of human resources to increase the national economic efficiency and productivity must go hand in hand with the solution of the manpower problem. In connection with this, the development fund of about 170 billion rupiah will be used for skill development, technical, and managerial training programs and business courses, which will be made available to workers.

The budget allocated for the trade and development of local companies and cooperatives sector is about 534 billion rupiah. The activities in this sector will be carried out mostly by business circles. The government's main role is to maintain efficiency and to get rid of obstacles in the way of progress by introducing deregulation and debureaucratization measures. The government will remain active in the process of transforming the cooperatives and small-scale businesses from weak traditional economic enterprises into modern, firm, and self-sufficient economic enterprises. The government will soon table a bill on the development of small-scale business before the Honorable House. [passage omitted]

The development of physical facilities require huge amount of fund because the economic growth, the standardization of the national stability and the creation of the archepalegic and national integrity concepts will require a considerable network of transportation to guarantee the steady flow of goods and services.

The budget allocation for this sector is 5.9 billion rupiah, mostly for the construction of roads. The construction of roads is aimed at opening up isolated areas, border areas and transmigration locations, and to support rapidly developing districts. About 60 percent of this fund will be used for constructing roads outside Java island. The province outside Java island that received the biggest development fund allocation is Irian Jaya. More than 1,100 kilometers of new roads and new railway lines will be constructed under the next fiscal year. [passage omitted]

Sea transportation is very important in the eastern part of Indonesia. Due to this, among other things, the government will construct landing piers in Marauke, Irian Jaya, West Nusa Tenggara, and East Nusa Tenggara Provinces; and landing stations along rivers in Kalimantan and Irian Jaya. A container port will be built in Ujungpandang and Semarang, and more navigational assistance to sea traffic in the Straits of Malacca and Straits of Makassar will be provided.

The fund allocated for the air transport sector will mainly be used for expanding airports, supporting the operational costs of pioneer air services, and improving the facilities of international airports. [passage omitted]

The fund allocated for the mines and energy sectors is 3.9 trillion rupiah. The energy sector receives the largest allocation even though the allocation for the mines has also been increased. The development of energy is directed more at the expansion of power generating

facilities and electricity supply. Within the framework of equability, the electricity supply should reach the islands outside Java and all villages throughout Indonesia. There must a more efficient way of supplying power to all areas.

The tourism, telecommunications, and posts sector receives an allocation of 1 trillion rupiah, which represents a considerable increase compared with the previous year. Tourism is a service industry which we can depend upon in the future. In 1994, there were 4 million foreign tourists and this sector earned nearly U.S.\$4.7 billion. We hope that visits by foreign tourists will increase in the coming years. By the end of the Sixth Five-Year Development Plan, we expect to have tourism as one of the main foreign currency revenues besides oil and gas, textile and textile products, and plywood and timber products. [passage omitted]

In the 1995-96 fiscal year, we will install nearly 900,000 new telephone lines. Telecommunications development will be partly carried out by the private sector, which will work together with cooperatives.

Honorable session, the biggest development allocation is given to regional development and transmigration at 6.1 trillion rupiah. The main regional development program will be carried out through four Presidential Instruction development programs, namely, for first-level region, second-level region, villages, and backward villages. The allocation for the first-level region's development program stands at nearly 2.9 trillion rupiah. In the 1995-96 fiscal year, the first-level region will be assigned to operate and maintain its own irrigation networks, which cover an area of about 5.9 million hectares. Funds are also allocated to boost planning and supervision and to develop human resources. The allocation for the second-level region's development program stands at 2.5 trillion rupiah. The policy behind this program remains unchanged but the amount of allocation has been increased because the Indonesian population has increased by 3.1 million. This program is aimed at maintaining and rehabilitating public health centers. [passage omitted]

Honorable speaker, the next sector is most important in developing human resources, namely, education, national culture, belief in the Almighty God, youth and sports affairs. This sector receives an allocation of nearly 3.4 trillion rupiah. One of the important programs which has been going on since the end of the First Five-Year Development Plan is the Presidential Instruction development program for primary schools. In the 1995-96 fiscal year, this program will receive about 498 billion rupiah and aims at boosting the quality of education by among other things procuring 67 million textbooks, or a twofold increase over the 1994-95 fiscal year. High priority will be given to the construction of new primary schools in new settlements, including transmigration sites and new housing estates. [passage omitted]

Providing new housing and settlement is very important to the people as it is one of their basic needs. This sector

receives 1.1 trillion rupiah, which will be used to provide ready-made housing estates and basic infrastructure for 90,000 simple housing units. Urban redevelopment and upgrading of urban towns are also included in this program. [passage omitted]

In line with the Broad Outline of State Policy, political development is aimed at achieving a more regulated political life based on the Pancasila democracy, ensuring the performance of political and social institutions, consolidating the process of political communications, and developing the atmosphere of openness. Political development is also aimed at increasing people's political awareness through high-quality political education and enhancing political ethics and culture. The 1993 Broad Outline of State Policy also stipulates that Pancasila indoctrination program should continue to be popularized. To promote the Pancasila indoctrination program, more funds will be allocated for such programs at the central and regional levels.

The development of the next sector, namely, information, communications, and mass media is aimed at disseminating information on development by intensifying two-way communications in an open and responsible way. This program also aims at broadening and improving the quality of radio and television broadcasts as well as maintaining healthy and responsible national press. This sector receives an allocation of about 152 billion rupiah.

The development of defense and security affairs is aimed at strengthening the people's total defense system. For this purpose, the restructuring and development of all defense components are to be carried out. About 1.3 trillion rupiah is allocated for this sector for the coming fiscal year. The budget allocation increase for this sector will be partly used to rehabilitate soldiers' housing.

Fellow countrymen, such is the outline of our plan as a nation in the second year of the Sixth Five-Year Development Plan. We are now in the first days of 1995, which has a special meaning to us because we are going to mark our 50th year as a free nation. Eight months ago, we successfully completed the First 25-Year Long-Term Development Master Plan and during these days we are going to begin our new steps to enter the Second 25-Year Long-Term Development Master Plan, which is a take-off stage and the era of our second national awakening. Five years from now, humanity will enter a new century, namely, the 21st century. We are now in a transition period to enter a new age. We are heading to a better future for the good of humanity. When I spoke to greet the 1995 new year five days ago, I said the world is undergoing great and fundamental changes which are full of new hopes and challenges. Hope for peace is replacing the threat of war; the spirit of friendship is replacing hostility; justice is replacing oppression; and understanding is replacing suspicion. The process of change is seeking its new form. [passage omitted]

We must make great strides in preparing ourselves to enter the new era. If we do not make adjustments or we

are late in making such adjustments, we will be left behind. We are grateful for the fact that we have made preparations for many years by constantly carrying out economic deregulation and debureaucratization policies. We have taken steps to promote autonomy in second-level regions. We continue to implement our independent and active foreign policy. As far as global trade is concerned, we ratified GATT, and along with other APEC members, we issued the Bogor Declaration last November. We must be ready to capitalize on the flow of industrialized countries' trade and investment in 2010 at the latest and open our market in 2020 at the latest. The process of such internal and external adjustments is carried out in the framework of our Pancasila ideology and the 1945 Constitution. We must remain faithful to the national ideals and objectives, the populist spirit, and the unity and integrity, which are the dreams of the founding fathers of this republic. Adjustments in the mode and manner in achieving our goals have been made. This is what we meant when we declared Pancasila an open ideology 10 years ago. We will never amend our national ideology and state philosophy. Neither will we amend the 1945 Constitution. The future free trade system needs social support, namely, a society that allows healthy competition among its members and prepares them to compete in a healthy manner. Socio-political and mass organizations must also prepare their members to face this competition.

We have 25 years of experience in a planned development program. We began our national development in a situation beset with limitation and shortages. But now, even though still far from perfection, we already have strength in various fields. Let us use this strength in an integrated manner to make use of existing opportunities and face the challenges of the new world economic order. We must have confidence that we will be able to make use of the opportunities and face the future challenges. This is the reason why we dare to formulate the Second 25-Year Long-Term Development Master Plan. If we want to succeed, we must fulfill an absolute requirement, namely, the unity and integrity of our nation. We must remember the proverb: United we stand; divided we fall.

Fellow countrymen, eight months from now, we will celebrate the 50th founding anniversary of this republic. This year's celebration should be more special than the previous ones and should show our gratitude for our independence, which is one of the blessings of Almighty God. This year's celebration must strengthen the populist roots of this republic. Both at the national and regional levels, we must demonstrate what we have achieved in the past 50 years. We must also have an idea of what we should do in the future. The people's role must be further intensified in the entire celebration because the people are indeed the owner of this country's sovereignty. Historical sites in the process of the independence struggle and important places for development projects must be shown to the outside world. While we

enter the second year of the Sixth Five-Year Development Plan amidst the celebrations to mark our 50 years of independence, let us rejuvenate our spirit as a nation.

Honorable speaker, I would like to end the 1995-96 budget speech here. May Almighty God bless all of us! Thank you. Peace be upon you!

#### **Editorial Views Draft State Budget, Development**

*BK0601042195 Jakarta SUARA PEMBARUAN in Indonesian 5 Jan 95 p 2*

[Editorial: "The Challenge From the 1995-96 Draft State Budget"]

[FBIS Translated Text] President Suharto presented the 78 trillion rupiah 1995-96 draft state budget to the House of Representatives on Thursday [5 January]. In his speech outlining the government's policy, he stressed: "The state budget does not merely contain figures reflecting the disbursement of money. Our state budget shows the path that we will pursue as a nation. For a developing nation like Indonesia, the state budget reflects its development policy."

He also said that the draft state budget reflects the principles of people's sovereignty, which are basic in our life, because the draft budget is drafted with the approval of the people through their representatives in the House of Representatives.

In addition, the draft state budget that the government submits to the House of Representatives for deliberation every year is not independent in the sense that it is not linked to previous state budgets. This is because development is undertaken gradually and continuously to achieve national objectives. Thus, every draft state budget or state budget automatically continues, improves, broadens, completes, and—if necessary—rectifies previous development programs in accordance with the aims of the Broad Outline of State Policies.

In our opinion, President Suharto emphasized two main points in the 1995-96 draft state budget.

First, he put special emphasis on the people's active role in development. Development funds in the draft state budget are just one aspect of the entire national development process.

Second, although the prospects for Indonesia's economy will remain bright in 1995, the head of state reminded Indonesians of rapid changes in all fields due to scientific and technological progress as a special feature in the future. For this reason, every nation should make internal and external preparations and reforms.

Regarding the first main point, Chapter V of People's Consultative Assembly Decree No. II/MPR/1993 on the Broad Outline of State Policies states that national development is undertaken by the people and government. In this case, the government has an obligation to

give direction and guidance and create a climate conducive to the people's active participation in development.

Attention was paid to the implementation of development in the 1995-96 draft state budget. As stated by the president, the state budget should be able to encourage people to undertake development because the people and government cooperate in undertaking the task. This means that as much as possible the government will not get involved in activities that have been undertaken well by the people, particularly business circles.

Regarding the second major point, we want to underscore the head of state's remark that our nation is an integral part of the changing world. Thus, we must take great steps to be prepared for the new era. We will be left further behind if we are not ready to make adjustments or if we are late in doing so.

Accordingly, we are now challenged to take all necessary steps to deal with these two major points.

Deregulation and debureaucratization should be continued to enhance the participation of the people—particularly business circles—in development, face rapid changes, and create a more conducive climate for business circles to expand their businesses. Such a climate will in turn encourage local and foreign investors to invest their capital in the country.

The creation of a clean and authoritative government is indispensable. Any deregulation or debureaucratization will be useless if the mentality of the state apparatus is not supportive. Massive corruption and collusion and stalled credit—which have been revealed lately—are not conducive to our efforts to enhance the participation of business circles in development.

Similarly, a responsive, professional, clean, and authoritative state apparatus is indispensable for us in facing rapid changes. Thus, the enhancement of the quality of human resources within the state apparatus is indispensable.

Finally, the 1995-96 draft state budget—which was drafted in two directions; that is, from the central government to the provincial administrations and vice versa—will be useless if officials are not supportive. We want to remind the officials about the implementation of the 1995-96 state budget.

#### \* Implications of APEC for Smaller Businesses

95SE00364 Jakarta SUARA KARYA in Indonesian  
11 Nov 94 pp 9, 11

[Text of working paper presented by Dr. Wagiono Ismangil to the Golkar Central Executive Council on 7 November 1994]

[FBIS Translated Text] Changes now occurring in the Asia Pacific region have three characteristics: (1) outward-oriented government policies, (2) a spirit of integration among the countries of the region, and (3) great economic growth.

At the same time, a process of convergence among countries is taking place. The developing countries have greater economic growth than the developed countries and a consistent orientation to encouragement of investment in the industrial sector for the production of goods and services for world markets. The newly industrialized countries are facing the problem of declining industrial competitiveness, which is the result of manpower shortages, higher wages, and high cost of production. This situation has prompted them to conduct "division of labor" and/or relocation of industry. The developed countries face continuous pressure to improve productivity and creativity in order to produce superior goods and services characterized by high added value.

To make appropriate response to the changes that are taking place, countries in the Asia Pacific area are steadily trying to improve mutually profitable cooperation, both multilateral and bilateral. The substance of this cooperation is that it should make this region more open to trade and investment activities among the countries of the region. Trade barriers, both tariff and non-tariff, must be relaxed. Similarly, the smooth flow of investment needs to be guaranteed.

It is recognized that small- and medium-sized business can play an important role in protecting growth dynamics and the expansion of economic benefits to society at large. Besides playing a role from the social aspect—elimination of poverty, even distribution of jobs, etc.—small- and medium-sized businesses can also be a source of economic growth in the production, export, and international subcontracting sectors, especially for manufactured goods.

Nevertheless, small- and medium-sized businesses in both developed and developing countries face obstacles that prevent them from playing their proper roles. In fact, the definition of small- and medium-sized business varies from country to country in aspects such as number of employees, amount of investment, value of assets, sales volume, and shareholder funds.

The main obstacles faced by small- and medium-sized businesses are their limited access to market networks and information, limited funds and limited access to sources of funds, problems with manpower quality, and limited mastery of technology.

In connection with this, APEC [Asia Pacific Economic Cooperation] member countries have agreed, as the ministers responsible for development of SME's [small- and medium-sized enterprises] decided in their meeting in Osaka, Japan, on 22 and 23 October, to increase cooperation for expanding small- and medium-sized business as follows:

- Aware that the diversity of small- and medium-sized business depends on the level of economic development in APEC countries, the ministers agreed to explore and use that diversity to get a complementary relationship that will improve production efficiency,

job opportunities, and mutual profit among member countries. The agreement stressed free market policies that will create a sphere conducive to growth of small- and medium-sized business and produce cooperation in solving problems that affect development of small- and medium-sized business. First priority is to be given to issues of human resources, availability of capital, and market access. In this matter, the ministers agreed that APEC members should support the initiatives of their leaders and the activities of the Committee on Trade and Investment (CTI) and other working groups connected with small- and medium-sized business in the framework of APEC.

The various proposed initiatives dealt with the following: the human resources sector (Center for Exchange of Technology and Training for Small- and Medium-sized Businesses, a network related to human resources), access to information (a private-sector/business network, EDI [expansion unknown]), technology (APEC Technomart, an interorganization network to promote technology for small- and medium-sized business), and capital (APEC workshop on venture capital and an investment scheme for facilitating small- and medium-sized business globalization/relocation).

To expand trade and investment, the ministers stressed that all APEC members should facilitate freer small- and medium-sized business activities, improve market access, participate in the WTO [World Trade Organization], and conduct other activities that support liberalization of trade and investment. Provision of nonbinding investment principles is a tangible effort toward reducing risk and adding incentive for small- and medium-sized businesses. Facilities need to be provided to help the expansion of small- and medium-sized businesses to other countries, including reciprocal recognition of standards and fulfillment of standards and simplification of trade procedures. The ministers recommended that the CTI direct its efforts toward these areas.

In this regard, small- and medium-sized businesses in Indonesia will be constantly encouraged to take advantage of available opportunities in the various cooperation programs among Asia Pacific countries.

Small- and medium-sized businesses themselves will determine how far they will use the opportunities open to them. In connection with trade and investment, small- and medium-sized businesses can be grouped as follows:

- Small- and medium-sized businesses that have "gone global," meaning those that have very extensive international operations and cover a global area, such as Asia, Europe, or North America. Only a few, about 5 percent, of small- and medium-sized businesses are in this category.

Small- and medium-sized businesses that are "internationalized," meaning those that have international operations, such as exports. The number of businesses in this category is quite large, between 5 percent and 40 percent.

Small- and medium-sized businesses with potential, namely those that have potential for conducting international operations.

Small- and medium-sized businesses oriented to the domestic market. These are businesses that conduct domestic business operations.

The government will continue to encourage and give guidance in order that small- and medium-sized businesses, especially those in the third category, can expand and ultimately participate dynamically in international developments. Those that are already global and international will be constantly encouraged to expand further. Efforts will be made so that small- and medium-sized businesses with potential can realize that potential. Meanwhile, those with domestic orientation will be strengthened so that they can at least compete domestically with new competitors from the outside.

Realizing the weakness still faced by small- and medium-sized businesses in Indonesia, the government is trying to give help and strength in order that they may be able to compete with other economic players. A related government measure is the upgrading of the human resources of small- and medium-sized businesses, which involves improvement of managerial skills, including entrepreneurship and general basic management, and technical skills. This upgrading of skills is being accomplished through the "learning by doing" process. It is recognized, however, that the upgrading of human resources is not enough. Therefore, it is also necessary to create a climate conducive to encouragement of mutually profitable partnerships among small- and medium-sized businesses and with big businesses. Through this process, it is hoped that the role of small- and medium-sized businesses will expand in the future.

Various efforts can be made in the framework of APEC so that small- and medium-sized businesses will have a role in Asia Pacific economic development. These efforts include the provision of facilities and incentives to small- and medium-sized businesses for developing partnerships ("subcontracting") with other such businesses in the Asia Pacific region, while at the same time urging those business partners to invest in Indonesia. To that end, deregulation and debureaucratization policies in sectors and fields of business handled by small- and medium-sized businesses need to be continuously studied and applied.

#### \* Central Bank Governor on 1994 Economic Growth

*95SE0051C Jakarta BISNIS INDONESIA in Indonesian 19 Nov 94 p 1*

[FBIS Translated Text] Jakarta (BISNIS)—Bank of Indonesia Governor J. Sudradjad Djiwandono is optimistic that, because of recent rapid growth in the real sector, Indonesian economic growth this year will exceed the target of 6.7 percent.

The rapid growth in the real sector is prompted by heavy demand on the domestic market, which so greatly supports economic growth, Sudradjad told BISNIS recently.

He said that because of expansion of the real sector, economic growth will exceed 6.7 percent this year. He said rapid growth can also be seen in the increased volume of imports. "This occurrence of good economic growth is related to liquidity."

He said the increased demands of liquidity affect both the M1 and M2 aspects of money in circulation. "The Bank of Indonesia continuously monitors money in circulation to keep inflation below double-digits and prevent 'overheating.'"

Other influential factors in the real sector include expanded financing in the property sector. "We have called on banks to be cautious in channeling credit to that sector."

The Bank of Indonesia will not keep down liquidity growth as long as it is meeting the needs of domestic investment.

Sudradjad acknowledged that the increasing growth of money in circulation and the strong flow of credit requests are closely linked to the "boomin" in the property and real estate sector. The rate of growth in the property and real estate sector is greater than in other sectors. He also confirmed that another factor stimulating increases in money in circulation is the changing pattern of funding for economic development. He said that the government used to depend greatly on foreign revenues, such as from exports, to finance development.

#### Military Chief Confirms Probe of PDI Members

BK0501130795 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 5 Jan 95

[FBIS Translated Text] Three hundred members of the Indonesian Democratic Party [PDI], who are assuming various regional posts, are suspected of having relatives who were involved in the 1965 abortive communist coup attempt. Indonesian Armed Forces Commander General Feisal Tanjung confirmed this to reporters after attending the parliament session where President Suharto delivered the budget speech in Jakarta today.

The 300 PDI members, who are assuming various regional and branch posts, shortly will face investigations. The issue emerged after Yusuf Merukh, chairman of PDI rival executive committee, issued a statement last week accusing that between 300 and 400 PDI members have relatives who were involved in the 1965 communist coup attempt. Former PDI Chairman Suryadi said even if the allegation is true, the PDI cannot be entirely blamed because PDI members have passed three special screening tests.

#### Philippines

##### \* Extradition Agreement Signed With U.S.

95SE0044A Manila BALITA in Tagalog 15 Nov 94 p 4

[FBIS Translated Text] One of the highlights of the visit to the Philippines by the United States President and Mrs. William J. Clinton [title and name published in English] was the signing of an extradition and mutual legal assistance agreement by Foreign Affairs Secretary Roberto R. Romulo and U.S. Secretary of State Warren Christopher. The agreement, which requires ratification by the Senate in order for it to become a treaty, is the product of many years of intensive negotiations. Apart from an agreement obliging both countries to extradite outlaws who are wanted by their respective law enforcement agencies because of crimes they have committed, a provision for mutual legal assistance is also included. The Philippines has extradition treaties with other countries; the United States is one of the countries where criminal elements from the Philippines take refuge, and thus escape punishment for their crimes, like drug-trafficking and smuggling.

U.S. Secretary of State Christopher said that the impending treaty will also confirm the two countries' firm commitment to democratic principles and the law's authority. There is no doubt that the [Filipino] people are happy with the signing of this treaty, which has finally come to an end after many years of negotiations. The Senate is being urged to ratify the agreement and turn it into an official treaty. The treaty's ratification will enable the Philippines law enforcement agencies to further advance their campaign against crime and their fight to end drug-trafficking and related crimes.

#### Ramos Reviews Economic Gains in Year-End Speech

BK0401142495 Quezon City PTV-4 Television Network in English 0248 GMT 4 Jan 95

[Speech by President Fidel Ramos from the Ceremonial Hall of Malacanang Palace in Manila—live; italicized passages in Tagalog]

[FBIS Transcribed Text] Dear countrymen, your excellencies of the diplomatic corps, ladies and gentlemen. This luminous and colorful Christmas was quite astounding. From darkness toward light—this is probably the appropriate description of the events in our country during these past two and a half years. From hopelessness, we have caught a glimpse of a beautiful tomorrow. Again, we Filipinos have new confidence on our capabilities. [applause]

As we begin another year in our country, we stand on a new ground of confidence in ourselves and hope about the future. In these first few days of 1995, we can see what is within our capacity to attain the achievement of even higher growth in the economy; the further empowerment of our people to jobs and livelihood; the spread

of peace and prosperity throughout our land; and, the vigorous growth of our commerce and rapport with the world.

Today, the Philippines is in better shape than before, economically, politically, and socially to achieve sustained growth and lasting progress. Now, more than ever, we can hold our heads high as a nation, holding its own in the most dynamic region of the world, the Asia-Pacific.

We are not alone in saying this. Foreign observers and institutions are saying the same. ASIAWEEK and THE FAR EASTERN ECONOMIC REVIEW, the two leading news magazines of the Asia-Pacific region, reported that 1994's biggest turnaround story is the Philippines. [applause] Media leaders in other parts of the world have called attention to the unique quality of Philippine growth. FORBES magazine of the United States has commented, and I quote, the economic reforms brought to much of Southeast Asia by authoritarian regimes, have come to the Philippines via democracy, unquote.

In assessing our future prospects, two prestigious international investment institutions have provided upbeat forecasts. Salomon Brothers, in its final report for 1994, observed that in the Philippines, and I quote, political and economic factors are now united to produce sustainable growth in 1994 and onwards, unquote. And Merrill Lynch echoes the same assessment when it told its clients and affiliates: it appears that the Philippine economy and its corporate sector are poised to continue the robust growth through 1995.

These positive endorsements should not induce us into a sense of complacency or a foolish belief that, like Juan the Lazy, we can now just wait for the fruit to fall into our mouths. On the contrary, they should steer our resolve to work harder as a national team in order to win the future. Our achievements must inspire us to accomplish more in 1995, and beyond.

One word underlines every gain that we have made in the economy, in people empowerment, and in national affairs in general, and that word is reform. Reform undergirds the dynamism of our economy, our society, and our government today, where we have faltered during the past year. It was in those areas where we failed to fully implement the needed reforms.

At the very start of my presidency in June 1992, I said to one and all, and I quote, we must begin by telling ourselves the truth, our nation is in trouble, and there are no quick fixes for our basic ills. If we are to rise above our problems, we must make hard decisions and resort to swift and decisive reforms, unquote. In this way, we made a commitment to put in place the necessary reforms for national revival and sustainable growth. In those terms, we in the executive branch pledged to achieve our shared vision of Philippines 2000—to bring

our country to the threshold of newly industrializing country, or NIC status, by 1998 and therefrom to leapfrog into the 21st century.

The details of our reform efforts will not be easily forgotten because they involve much sacrifice and fortitude, and we see it against the authoritarian tide in Asia by striving to achieve development with democracy as our anchor and as our guide. Political stability, we have forged by initiating an all-encompassing peace effort to conciliate with all these affected groups as a nationwide drive to eliminate insurgency, to reduce crime, and to keep the peace.

Where factionalism and congressional-executive gridlock has stymied progress in the past, we forged coalitions to enhance political cohesion. We brought communist insurgency, secessionist movements, and military mutiny to the negotiating table.

The economy, we have opened up the competition to level the playing field of enterprise. We dismantled monopolies and cartels starting with telecommunications. In land, water, and air transportation, we have put in place a comprehensive framework for liberalization. Over P5 billion [Philippine pesos] in new investments have been made in shipping alone since we liberalized routes and rates, and dramatic changes should be taking place in Philippine skies beginning this year as a result of our liberalization of both domestic and international civil aviation. All these we have done within the limits of an outmoded Public Service Law. Full deregulation will take place after Congress enacts a proposed public transport services act.

We removed restrictions on foreign exchange transactions. We liberalized banking in our investment rules. We instituted a comprehensive build-operate or BOT [build-operate-transfer] scheme, especially in the critical power sector, and last year we adopted the flagship system to fast-track the implementation of the strategic public investment projects within and between our growth centers nationwide.

In government, we saw to make the bureaucracy the ally of development and not its obstacle, and we asked politics to take a back seat to economic progress and social reforms for a change. All of these contributed to a record performance last year, that presages our economic takeoff. The estimated GNP growth of 5.5 percent in returns surpassed our own target of 4.5 percent for 1994. For the first time in 20 years, national government achieved a budget surplus. Inflation stood at single digit levels while our international reserves continue to build up.

In a paradoxical reversal, our problem this year with exchange rate was not a declining peso but a appreciating one. We have an oversupply of dollars because of expanded foreign investments, the attractiveness of Philippine blue chips, and increased remittances from our overseas workers.

In recognition of the country's bright economic prospects, foreign investments have climbed, not only in volume but also in the variety of projects and destinations throughout the country. Tourist arrivals in 1994 exceeded 1.5 million, representing a 20 percent growth. Besides being the key force of economic expansion, the private sector generously supported our flagship projects. Out of the total of P220 billion, 63 percent or P139 billion was provided by the private sector.

We completed the construction of major road networks throughout the country, including but not limited to, the 100-kilometer General Santos-(Tublang)-Sarangani highway. The Ilocos Norte-Cagayan highway from Laoag to Anlacapan, the EDSA [Epifanio de los Santos Avenue]-Boni underpass, and usable portions of the circumferential road C-5. We constructed some 24 major bridges including those along the Philippine-Japan Friendship highway.

Our regional growth centers are taking off, creating fresh opportunities for small and medium enterprises, or SMEs [small and medium enterprises]. In June 1992, SMEs availed of credit amounting to some P16 billion. At end 1994, small businesses accessed to more than P50 billion, or a 300 percent increase in the financing of entrepreneurs under our Magna Carta for Small and Medium Enterprises. [applause]

The continued development of Subic and Clark alone into commercial, industrial, recreational, and eco-tourism areas generated investments amounting to P23.1 billion, providing employment to more than 50,000 of our countrymen. Improved economic performance and political stability impact on the whole society by creating jobs, expanding livelihood, and raising incomes. Jobs are major component of preserving social stability and distributing wealth. Both industry and services recovered so strongly in 1994 that for the first time in many years, the economy generated more than 700,000 quality, productive, full-time jobs in the formal sector. The number of wage and salary workers alone grew by more than half a million in 1994. A survey of the top 400 manufacturers also shows that the average worker compensation increased by some 14.3 percent between October 1993 and October 1994.

While the growth rate in farm work and agriculture-related jobs declined by 63 percent between 1993 and 1994, industrial jobs grew by 839 percent over the same period, which signals our advancing steps towards an industrializing economy.

The construction and housing sectors grew by some 10 percent in 1994, and the expansion of infrastructure projects by both the public and private sectors in 1995 should generate many more new jobs for both the skilled and unskilled. As a vital by-product, we attained a record in industrial peace during 1994. For the first time since 1981, the number of strikes, 93 in 1994, was below 100 and this is a record we achieved not under martial law but as a functioning democracy [applause].

Yet, the benefits do not necessarily or immediately spread among our people in the same way. There are those in society who do not normally benefit from even a growing economy. And so, to help the more vulnerable and disadvantaged among us, we have therefore placed social reform and democratization of wealth at the center of the national agenda. In our social reform agenda, or SRA, we will continue to provide a package of predictable, integrated, and equitable reform measures to address basic inequities in our society. Our SRA intends to promote equity in terms of access to resources, just sharing the benefits of growth, and effective people's participation in decision-making.

To ensure the meaningful empowerment of ordinary Filipinos, we pursued our efforts to remove the root causes of dissidence and internal conflict by faithfully attending to the basic needs of our disadvantaged sectors, and these include: increased access to quality education and technical training, the provision of decent and affordable housing, the promotion of employee and workers' benefits, the pursuit of primary health and sanitation programs, and increased pensions for veterans and benefits for the elderly.

The passage of the shelter financing provides additional funds to address our housing shortage more expeditiously. To tackle this, we have aggressively pursued agrarian reforms. By the end of 1994, this administration had distributed close to 1 million hectares of land to farmer beneficiaries which is already more than half the total distributed for the 20-year period from 1972 to 1992. [applause] Agricultural productivity increased from 3.5 percent in 1993 to 5.8 percent in 1994. With rice production growth at 29 percent in 1994 due mainly to our key production area, or KPA, approach to agriculture and the improved productivity of some 400 newly established agrarian reform communities, or ARCs.

Overall, our policy is clear. In the economy, we strive for the greatest degree of enterprise and competition so that the fittest will survive and prosper. In our society, however, it is the role of government to look after the survival and the care of the weakest.

To our poor, we have a social debt that is heavier than our external debt. This is a debt we cannot and will not default, but we can only pay it through the sustained growth of the economy. This is the central challenge of 1995 to prove that our performance in 1994 was not just plain luck, nor just the high point of a boom-and-bust cycle, or just a case of one-time *blazing grass* result. This year, we must prove that our gains are sustainable, that our policies are effective for the long term, and that the growth we achieved redounds to the welfare and well-being of our people.

We began our recovery by reversing our inward-looking economy and turning it outwards to the world in recognition of the implacable reality of global economic competition. Globalism offers us much opportunity for

trade, investments, jobs, and sustained progress. Equally, it contains dangers for laggard economies.

On 1 January 1995, we became a founding member of the World Trade Organization, or the WTO, which will oversee the new trade regime negotiated and approved during the Uruguay Round, or UR, of the General Agreement on Tariffs and Trade, GATT. Without doubt, UR-GATT is a boon to both developed and developing economies. But the countries that adjust the quickest and trade effectively will benefit the most. Our 1995 agenda, therefore, has encompassed all these needs for adjustment, maintenance, and capacity-building in the world economy. Where policies have already been approved, we must move swiftly to implement, and therefore, as your chief executive, this is my commitment to our people. Where policies still require legislative approval, we must move quickly to enact them into law during the current session of Congress. Where judicial statesmanship is needed, we must move toward what is best for the common good under our rule of law.

We will focus our efforts on the following areas:

- To build upon our comparative advantage, which is the quality and numbers of our labor force. Total human resource development will be pursued availing of policy reforms in basic and higher education in vocational-technical dual training systems, in improved teacher education, and in science and mathematics scholarships.
- To sustain our growth, we will accelerate efforts to promote further efficiency in our agriculture and industry, and in the market place;
- Stress the judicious use of our natural resources;
- Continue to open our economy to global competition and rationalize, as well as make more progressive our tax system;
- This year, we will aim for a GNP of 6.5 percent growth, with exports growing between 17 and 25 percent, and investments at 10 to 12 percent;
- We will keep the cost of living and of doing business in the Philippines low with an inflation target of 6.5 percent, and interest rates of around 11 percent;
- We will work for a fiscal surplus of some P15.5 billion and a balance of payment surplus of some \$1.2 billion;
- We will exploit our strategic central location at the heart of Asia-Pacific by improving our services, particularly in banking and financing services, in ports and airports operations, in cargo handling and distribution, in transport and telecommunications infrastructure, and in our high-tech capabilities and knowledge as a literate and English-speaking nation.

We are confident that we will attain even higher growth rates because nearly all of the policy reforms are now in place. And it is a fact born out of world experience in

recent years that when all the right policies are in place, the resulting growth is exponentially greater.

To address the structural adjustments that we need as we shift to a freer and more competitive global trade under GATT, we have allocated some P32 billion for GATT-related projects. Other substantial funds have been allocated likewise for training and capability enhancement programs.

We will strive to support all sectors that will be affected by the transition. But let us not look upon such assistance as safety nets. Rather, let us regard it as positive support to enable all industries, enterprises, and sectors to become more productive and competitive.

We have a few years to adjust to the new trade regime. But the sooner we banish the words protection, monopolies, cartels, and subsidies from our vocabulary, the faster we will reap the benefits from the new free trade regime of the world. [applause]

As the world trade organization opens shop, it helps us that we are already engaged in the community of nations through our recent initiatives in the Asia-Pacific Economic Cooperation, or APEC, and other international forums.

In 1996, the Philippines will host the APEC leaders' summit and all other major conferences related thereto where leaders of the Asia-Pacific region will again meet to discuss critical economic, social, and human development issues. Our friends and neighbors will have the opportunity to see the new Philippines for themselves, so we must prepare now for this grand undertaking.

By the time that event comes to pass, I am confident that our country will not only be registering 7 percent growth or upwards, we shall have put in place more modern infrastructure and facilities.

To provide adequate infrastructure support to our industrialization, we will enhance the development of our regional growth centers through the flagship system, and utilize our highly successful BOT arrangements to tap greater private sector support for our infrastructure projects.

We have scheduled to start this year the following, among others:

- Light Rail Transit, or LRT 3, along EDSA;
- Metropolitan Waterworks and Sewerage System, or MWSS, water supply optimization project for the National Capital Region;
- Bataan Petrochemical Project;
- Misamis Oriental Integrated Steel Mill Project;
- The Davao City International Airport expansion;
- General Santos City fishing port;
- Batangas City port;
- Leyte-Cebu geothermal power interconnection;
- The Northwest Luzon growth quadrangle;
- The Zamboanga City Development Area; [applause]

- The Panay Regional Agri-Industrial Center;
- The Alabang-Manila skyway; and,
- The EDSA-Pasay Road and the EDSA-Shaw Boulevard interchanges.

I will not mention anymore our expansion of EAGA [East ASEAN Growth Area] in the southern Philippines. [applause]

As we promote the already existing regional growth areas, we will create new ones so that all the 15 regions of the country can simultaneously become centers of economic activity and growth. This year, we will redouble our commitment to improve the transport system throughout the country—by land, by sea, and by air. We must commence the modernization of transport because transport is the wheel of our development.

In Metro Manila, we will push the LRT system to cover a wider area. In Luzon, we will commence the modernization of our railway system through the BOT scheme. And throughout the archipelago, we will spur the establishment of expanded and more efficient sea transport, and thereby reaffirm our maritime beginnings. And in the air, we will encourage and support the private sector to provide better and more efficient services within the country, and between our country and the world. And for this purpose, I have by executive order signed yesterday, promulgated a liberalized domestic and international civil aviation policy. [applause] And, we will bring up our 19 poorest provinces to a more viable level of economic performance and social services delivery. [applause]

To intensify social reform as our priority area of concern, we will step up the implementation of programs and projects for the delivery of basic services, widen the representation of basic sectors in various mechanisms of governance, and improve the provision of social services and utilities.

We will directly address the challenges that come with rapid urbanization, such as better traffic management, improved sanitation and sewerage systems, and more rational urban planning.

We are ready to show that we have the capacity to do all of these to the forthcoming World Youth Day and the Pope's visit this month.

For the mid-term, we have opened up a new growth area to relieve urbanization pressures within Metro Manila, which we call the Marilao Area, or Manila, Rizal, Laguna, Quezon, which is the northern counterpart of the Calabarzon [Cavite, Laguna, Batangas, Rizal, Quezon].

To further push the bureaucracy, to do more with less cost, we will pursue our efforts to reduce graft and corruption, to further streamline government operations, to follow-up the early passage of the Metro Manila Development Authority, or MMDA bill—which I have

already certified for immediate enactment by Congress—and, to institutionalize the performance commitment system among government workers to promote greater accountability and transparency.

We will continue our devolution program to further empower our local government units, while at the same time demanding from them transparent and accurate accounting of the application of devolved internal revenue allotments which now amount to 40 percent of national government revenues.

We will require the government corporate sector to take a larger role in assuming the cost of development. And to ensure the responsiveness of the bureaucracy, we will require whenever necessary round the clock operations for those government agencies and their affiliates involved in the provision of critical economic and social services.

In our catalogue of priorities for 1995, human resource development is second to none. Without doubt, this constitutes our unique strategic advantage as a nation today. Not just because we have numbers, which we do, but especially because we have well-trained manpower and managerial talent in the Philippines. But this advantage must be nurtured and further enhanced by continually upgrading the skills of our workers. The new technical education and skills development authority, or TESDA, will organize our manpower development program for this purpose. And we will continue to reform and upgrade our educational system.

Knowledge today is a new factor in production, as important as labor, capital, and management. While we should worry about the millions who enter our schools every year, we must ensure that we meet international requirements, both in quality and responsiveness, to the labor market.

And so, in the development of our human resources, we must be thankful that we are blessed to have a free and open society because it is openness and freedom where knowledge thrives and expands. It is by exploration that people learn and widen their horizons. That is why the Filipinos counted always for a little more than his counterpart from other developing countries. And so with better training, education, and acculturation, Filipinos will count for even more in the years to come.

Now, let me say something about the role of our diplomacy in our successful economic performance this year. It is not by mere good fortune that foreign investors and foreign governments have moved to invest and establish strong economic ties with us. We went out and told them what we were doing in countless forums, during courtesy calls at Malacanang, and during my own official visits abroad. We have been able to forge strong ties with old and new friends, especially the United States, our ASEAN neighbors, our European friends, and our Asia-Pacific allies.

This year, diplomacy must once more play an important role. We must continue to open new doors, even as we take advantage of the fresh opportunities already opened. The growth of our exports, upon which so much of our success depends, squarely rests as much on our ability to make friends, as on our ability to produce.

In addition, several international meetings this year will enable us to project our national interests on regional and global concerns. And this include the Copenhagen Summit on Social Development, the Beijing World Conference on Women, the 50th anniversary of the United Nations, and the APEC leaders' meeting in Osaka, Japan.

By restoring purpose in government, by working together, and by striving for the welfare of our people first and foremost, we have made enough progress in two and a half years to wipe out our reputation as the sick man of Asia. By applying ourselves now to the task of sustainable growth and modernization, we will not only wipe out that tag from everyone's memory but also install in its place the image of the Philippines as a young tiger, whose...or as a young dragon. Take your pick. [applause]

This is not rhetoric, but the consequence of our collective efforts and achievements. Now, we have the chance of a lifetime to attain the progress that Rizal, Aguinaldo, and Bonifacio, and all other heroes envisioned a century ago for our people and for our country. Let us now seize this chance. It will require a lot of hard work—harder than in 1994—of discipline, of commitment, for all of these to happen. But let us not be daunted. Let us instead sustain the thrust and momentum of national growth throughout this year.

In May, we will hold local and national elections. Some say that these elections will be a referendum for the Ramos administration. So be it, maybe. [applause] I was going to add, may the best candidates win. [laughter and applause]

Let our politicians and political parties contend for the favor of the national electorate. Let us, as political leaders, respectfully present our record before our people and ask them to render judgment. But once the elections are over and the verdict is known, let us regroup as one national team and as one people desiring and advancing the progress of our country and the well-being of all Filipinos. [applause]

Before I close, let me acknowledge with deep appreciation once more the fruitful collaboration shown by both houses of Congress under the able leadership, respectively, of Senate President Edgardo Angara [applause]—I see that there are many senators here—and of House Speaker Jose De Venecia [applause]—apparently, there are more congressmen in the audience—for without such productive legislative-executive teamwork we could still be at square one.

*That is why my beloved countrymen, brothers, dear friends I believe that the changes that we are seeing around us, especially the growth in the economy is a strong indication that we are taking the right path that we are on the right track in our continuing endeavors. I am sure that we can receive more blessings in the next three years. Now, more than in any other time, my conviction is strong that the nation has the capacity to march toward progress.*

*I am hoping and praying that our countrymen are with me in this faith, and they will do their part in fulfilling their promise to build on our country's heroism. Let us face the challenges of this new era together so that we can also enjoy a peaceful and abundant life.*

*Thanks to all of you. Long live the Philippines!*

#### Military: Insurgency No Longer Major Threat

BK0501063795 Manila MANILA BULLETIN in English 26 Dec 94 pp 1, 8

[FBIS Transcribed Text] The Armed Forces of the Philippines (AFP) said yesterday the insurgency problem in the country has waned and that it has ceased to be a major threat to national security.

Communist insurgent capability, it said, is now confined to specific areas where AFP troops and units continue to operate to further neutralize rebel activities.

The success of the AFP's counter-insurgency (Coin) program contributed significantly to the decline in the strength of the New People's Army (NPA), the military arm of the Communist Party of the Philippines (CPP).

Although there are still some areas in the country that are considered critical, most of those which used to be the bastion of communist insurgency have been neutralized.

Based on combat statistics, the NPA strength dropped from 8,350 in 1993 to only 6,826 today, representing an 18 percent decrease from last year's figure.

This was from a high of 25,200 at the height of communist rebellion in 1987.

General Arturo Enrile, AFP chief of staff, said that "communism can no longer raise the specter of warfare to achieve its ends or influence the tide of events."

"In the same way, the insurgency situation in our country has been reversed to the extent that it has ceased to be a major threat to national security due to several factors such as the stream of surrenderees from the rank and file of the insurgents and internal dissension and leadership problems within the party which splintered the movement," he said.

At this stage, Enrile said there is greater expectations that whatever remains of the insurgency problem can be addressed in terms of socio-political and economic programs.

In all, the AFP conducted 551 major operations in the countryside, resulting in the death of 218 rebels.

A total of 334 high-powered and 98 low-powered guns were also recovered.

The government has also launched its peace initiatives to bring rebel groups from all sides of the political spectrum to the negotiating table in an effort to resolve issues of national security through peaceful means rather than through battlefield tactics.

Continuing talks are being conducted with the Moro National Liberation Front (MNLF) and the Rebolusyonaryong Alyansang Makabayan [Nationalist Revolutionary Alliance] (RAM).

Formal negotiations with the MNLF has shifted from the issue of secessionism to one of autonomy in the southern region of the country.

The Moro Islamic Liberation Front (MILF), on the other hand, has adopted a "wait and see" attitude.

The recent encounter between government troops and MILF elements in North Cotabato stemmed from an industrial dispute, the AFP said.

"The government has been successful in dealing with problems of national security and providing a vision for the continued peace, progress, and stability in the country," Enrile said.

### Communist Spokesman Discusses Peace Process

BK0401132795 Manila PHILIPPINE DAILY INQUIRER in English 26 Dec 94 pp 1, 6

[Interview with Gregorio "Ka Roger" Rosal, spokesman of the Communist Party of the Philippines and New People's Army, by Chit Estella "somewhere in the Sierra Madre mountains"; date not given: "Revolution is hard ...Who doesn't want peace?"]

[FBIS Transcribed Excerpt] [passage omitted]

#### Current issues

If Ka [Comrade] Roger can be understanding toward former comrades who have resumed life in mainstream society, he is scathing in his criticisms of those who joined and now actively help the government.

Foremost among these elements, he believes, is the breakaway group that now has the Alex Boncayao Brigade [ABB] as its military arm.

"They have demeaned themselves. Once, they were part of a revolutionary organization but now, they have become a small syndicate, a gun-for-hire team. They probably want to become the salvage team of the PACC [Presidential Anti-Crime Commission]," he says.

He refers to recent reports that the ABB had gunned down Chief Insp. [Inspector] Jose Pring, a man accused

by the Presidential Anti-Crime Commission of engaging in kidnapping and extortion.

While the ABB owned the killing, various quarters—including those in government—say the PACC could have also had a hand in it.

"The public can no longer tell the difference between a liquidation by the PACC and an operation by the ABB," he says.

Asked if he believes there is now active collaboration between the two groups, Ka Roger says, "Yes."

He scoffs at the ABB's widely publicized operations against policemen, saying it is a good way of getting into the newspapers, but not to the root of the problems that spawned them.

He recalls a story that even showbiz people have found their way in the ABB's list. "They've put in Lolit Solis [movie celebrity]. I don't know if Phillip (Salvador) [film actor] is now in it, too," Ka Roger says.

More worrisome, however, is the group's potential for terrorism and extortion, he says.

"They can use it to sow fear especially among politicians now that elections are near. And against businessmen, too," Ka Roger says.

#### Politicians

Despite the rising election fever, the communist organization predictably does not feel excited about the coming polls.

While the victories of persons other than traditional politicians may have revived faith in many Filipinos, Ka Roger points to recent events that should disturb those who take elections seriously.

"Just look at these coalitions Lakas-Laban [Lakas ng Bansa—Power of the Nation-Laban ng Demokratikong Pilipino—Struggle of Filipino Democrats], NPC [Nationalist People's Coalition]-Laban, PRP [People's Reform Party]-Lakas. Who can tell them apart now?" he says.

Turncoatism, the shame and bane of Philippine politics, has evolved into something more brazen—wholesale party-switching.

"Not just one person or two change parties, but an entire organization goes to the other side. Ganoon na katindi, ganoon na kagarapal [That is how grave it is, how shameless it is]," he says.

Groups that try to change the rules have so far reaped nothing but disappointment, Ka Roger says. He points to the major electoral reforms being sought by the Commission on Elections [Comelec] and the Rebolusyonaryong Alyansang Makabansa [as published—Revolutionary Nationalist Alliance].

None was acted upon by Congress, especially not the anti-dynasty bill. A Comelec proposal to stop the intervention of religious institutions in the elections was somehow twisted in favor of a bill that even allowed and strengthened the latter's hold on voters.

"Elections give people hope. That is why politicians like to hold these so often. But they don't really change anything," he says.

#### **Peace**

The hope to bring about conditions more conducive to change is one of the reasons a peace talk was favored by the National Democratic Front [NDF], the umbrella organization of which the CPP [Communist Party of the Philippines] is a leading member.

With a public clamor for a peace dialogue so strong it could not be ignored either by the government or the NDF, the two sides decided to give the effort a try. Of late, however, efforts have bogged down.

He refers to lessons obtained in the first negotiation attempt during the Aquino Administration which, he says, were learned at great cost by the leftist movement. The lull in the fighting gave government excellent opportunities to track down rebels and capture them when the talks collapsed.

Yet, Ka Roger, says, "We are ready to talk any time with the government so long as there is a specific agenda."

"Who doesn't want peace?" he asks.

For now, however, the fight continues. Normal family lives are foregone, even on Christmas.

Christmas is usually spent in the guerrilla zones where sympathizers among villagers welcome the NPA [New People's Army] inside their homes for rice cakes, fish, and an occasional roasted pig.

Visiting their own families usually have to wait for another time.

"When you have accepted revolution and the hardships it brings, they become part of your life. What does victory of the revolution mean, anyway? It means victory for all," Ka Roger says.

#### **CPP Claims Main Role in Reviving Communism**

BK040112895 Manila PHILIPPINE DAILY INQUIRER in English 26 Dec 95 pp 1, 6

[Report by Raymond Burgos]

[FBIS Transcribed Text] The Communist Party of the Philippines [CPP], still reeling from defections caused by a rift, yesterday claimed it has assumed a leading role in reviving the international communist movement which is now all but dissolved with the collapse of the Soviet Union. The CPP observes its 26th anniversary today still

clinging to party leaders' theory that only an armed struggle could bring about change in the country.

In a statement sent by fax to newspaper offices, CPP leaders said the party has gained importance and prestige in the international communist movement. The anniversary statement was supposed to be issued today but a three-page press release on its "salient points" was sent by fax yesterday to media offices.

The statement was written by CPP Chair Armando Liwanag, believed to be one of the aliases of Jose Ma. [Maria] Sison, CPP founding chair who is based in Utrecht, The Netherlands.

"Because of its perseverance in the armed revolution and its current rectification movement, the CPP has an exemplary role and enjoys high prestige in the international movement communist movement and the broad anti-imperialist movement," the statement said. [sentence as published]

According to the statement, the prestige the CPP enjoys now was manifested in the leading role the party played in the International Conference of Marxist-Leninist Parties and Organizations from 1992 to 1994 and its key role in the International Seminar in Mao Zedong Thought held in Essen, Germany in November 1993.

"(The CPP) has abundant international support as it has extensive relations in the working class and anti-imperialist parties, movements, and organizations, as reflected by the number of solidarity messages received during its 25th anniversary last year," the statement said.

#### **Protracted war**

Founded in 1968, the CPP has waged a "protracted peoples' struggle" and strictly adhered to the general line of "surrounding the cities from the countrysides" to promote a "national democratic revolution."

Currently, the CPP holds the distinction of leading the longest running insurgency in Southeast Asia, where all other guerrilla movements have been crushed or made politically insignificant.

Last year, government experts predicted the defeat of the CPP amid the worsening rift within the party.

Its leading cadres are divided into the so-called "reaffirmists"—those who adhere to the party's protracted people's war strategy—and the "rejectionists," composed of elements opposed to Sison's leadership.

The rejectionists have resigned from the party and had either established their own groups or planned to do so. These former party members described their new groups as "non-Stalinist" in character.

CPP leaders, however, claimed that the "rectification movement" launched by the Central Committee headed by Liwanag "has made the CPP and the revolutionary movement even stronger."

\* Armed Forces Chief Reports Killing by MILF

95SE0044D Manila BALITA in Tagalog  
15 Nov 94 pp 1, 2

[Report by Dando Redondo]

[FBIS Translated Text] A barangay captain and his brother, who is a soldier, were shot and killed when they refused to cooperate with the Moro Islamic Liberation Front [MILF] which is operating in Lapuyan, Zamboanga del Sur. This was stated in a report sent to the office of the Armed Forces Chief General Arturo Enrile. The rebel Muslims' victims were identified as barangay Captain Rudy Hupa of barangay Linok and his brother Corporal Luis Hupa who is assigned to the Army Field Artillery Battalion. The report added that the brothers were killed at around 1800 in their house in barangay Linok, Madalum in Lapuyan. The assassins were reportedly from the group of Kahak Rampak, a member of the MILF. It was known that the motive for the killing was the refusal by barangay Captain Hupa to help the MILF there in the area.

The suspects tied up the barangay captain and hacked him to death, while they shot Corporal Hupas as he tried to grab a rifle from one of the assailants. The suspects took P6,000 [Philippine pesos] in cash, a watch, and a gold necklace from the victims before escaping.

Meanwhile, residents of a barangay in the town of Maguindanao evacuated their homes when fighting erupted between two MILF armed groups last Friday afternoon. This was according to a delayed report sent to the Operations Center in Camp Crame yesterday. The report sent by the Autonomous Region for Muslim Mindanao to the office of PNP [Philippine National Police] chief Director General Recaredo Sarmiento II stated that the two MILF groups led by Abdulsal Hadji Mohammad and Mantil Hadji Abdullah exchanged gunfire on 11 November at around 1330 in barangay Belembong, town of Maganoy.

\* Rumors Predict Estrada Versus Lim in 1998 Elections

95SE0044C Manila BALITA in Tagalog 18 Nov 94 p 3

[By Erick Balane]

[FBIS Translated Text] Vice President and Presidential Anti-Crime Commission Chairman Joseph Estrada and Manila Mayor Alfredo S. Lim are said to be possible competitors in the 1998 presidential elections. A close race for the vice presidential position between Senator 'Tito' Sotto III and Subic Bay Metropolitan Authority Chairman Richard Gordon is also expected. A source said that a Lim-Gordon, Estrada-Sotto tandem is possible for the 1998 presidential race. Lim is a member of the People's Reform Party [PRP], which is headed by losing presidential candidate Miriam Defensor Santiago, while Estrada is a candidate under Partidong Masa [People's Party-PM]. Sotto and Gordon are members of

the Laban ng Demokratikong Pilipino [LDP—Philippine Democratic Struggle] and the Liberal Party-Nationalists Peoples Coalition [LP-NPC] parties respectively. The source said that Mayor Lim will push through this alleged plan to run for president in 1998, the moment he gets reelected in the local elections on 8 May 1995.

\* Paper Reports on Goals of Science Conference

95SE0044B Manila BALITA in Tagalog 14 Nov 94 p 4

[Editorial: "Research and Development Conference Begins"]

[FBIS Translated Text] Science agencies' chiefs, senior science administrators, leading scientists, experts in science and technology, and a group of observers from scientific institutions from the Asia-Pacific region will get together at the Makati Shangri-La Plaza from 14 to 17 November. The occasion marks the 13th meeting by the Association of Science Cooperation in Asia [ASCA], an intergovernmental organization which aims to advance the scientific and technological cooperation in the region.

Established in 1970, the organization, which is now in its 24th year of existence, serves as the formal venue for mutually beneficial exchange of information and cooperation between member-nations in the field of Science and Technology (S&T) Research and Development (R&D). This year's principal topic is the presentation of a report about the S&T for Economic Growth by each member-country.

The ASCA conference will show that the Philippines has entered a new period—a period of a new beginning in the field of scientific research and development, which we now feel around us. The government has been making efforts to support the basic sciences. That support was manifested not only in the form of research funding at the university level but also in the acquisition of equipment and manpower development. Agencies like the Philippine Council for Advanced Science and Technology Research and Development (PCASTRD) and the Philippine Council on Industry and Energy Research and Development (PCIERD) have become generous donors of research funds for basic sciences and engineering in select priority areas identified by our research and development experts. Through the Engineering and Science Education Projects (ESEP) supported by the government, several select universities will receive advanced and highly specialized research equipment through a fund from the World Bank. As a result of these initiatives, university academics are already focusing their research on materials for cutting-edge technology which the industry wants to introduce as new products. It will not come as a surprise if this industry-university relationship mushrooms in growth, not only in the basic sciences but also in engineering.

**Thailand****Parliament Passes Constitution Amendment Bill**

*BK0501083695 Bangkok THE NATION in English  
5 Jan 95 pp A1, A4*

[FBIS Transcribed Excerpt] Parliament yesterday passed the Constitution Amendment Bill, which will significantly expand personal freedoms and citizens' rights as well as set into motion far-reaching changes in the political life of the country.

A joint House-Senate sitting yesterday voted 591-1 to promulgate one of the most ambitious charter amendment bills ever put before Parliament. One senator abstained. Thirty-seven parliamentarians, most of them senators, were absent from yesterday's special session.

Among the most significant changes brought about by the new charter, and one which many believe will accelerate the democratization process, is the immediate expansion of the voting population by the enfranchisement of more than two million 18 and 19-year-olds.

Article 109 of the new Constitution lowers the minimum voting age from 20 to 18 years. The number of voters will continue to increase progressively in the following years.

The inclusion of a large number of eligible young voters is believed to be conducive to political development in that they are supposedly less inclined to accept bribes from vote-buying politicians.

The people will also have more than 20 additional MPs to serve them in the House of Representatives as Article 106 provides for the number of seats to keep pace with the country's growing population, setting a figure of one MP for every 150,000 people.

National elections are expected to be freer and fairer with the creation of an electoral commission, comprising private individuals and government officials, to organize and monitor balloting as required by Article 115.

The commission will be formed prior to national elections to oversee the organization of the poll, which will still be implemented by Interior Ministry officials. Election watchdog bodies which were effective in preventing cheating in the last two national elections are expected to be integrated into the panel.

The Interior Ministry has yet to draw up a new law to create and set the commission's scope and responsibilities.

Article 162 empowers the Parliament president to appoint five MPs and senators as parliamentary ombudsmen to prevent corruption and other improper conduct by parliamentarians. The ombudsmen will also be empowered to recommend punitive action against erring parliamentarians.

To further promote transparency in national politics, Senators, MPs and Cabinet members will from now on

be prohibited from being a party to any monopolistic concessional contract with government agencies or state enterprises by Articles 102, 114 and 167.

Meanwhile, Article 95 requires MPs and senators to declare their assets upon taking office.

The new charter will also reduce the role of appointed senators in favour of elected members of the House of Representatives, who are entrusted with greater responsibilities. Article 100 cuts Senate membership to two-thirds the number of members of the House of Representatives.

In addition to the positive changes in national politics, individuals will enjoy greater personal freedoms and rights as well as equality of the sexes.

Article 24 stipulates that men and women are equal. As a result, obsolete laws are expected to be amended and new legislation introduced to ensure all are equal under the law, regardless of their sex.

People having legal disputes with government agencies and state enterprises will be able to seek justice after the Administrative Court is set up specifically to arbitrate disputes between the individuals and the state.

The government still has not decided whether the new court should be part of the existing judiciary or operate independently. Prime Minister Chuan Likphai promised recently to set up the new court before the end of this year.

Article 39 guarantees freedom of expression and forbids official censorship during peacetime so long as it does not threaten national security, infringe on other people's rights or privacy, or endanger public morality. It says publications cannot be closed without a court order.

At yesterday's extraordinary session convened for the final reading of the charter amendment bill, 591 out of the total joint House-Senate membership of 630 voted for the passage of the historic bill. [passage omitted]

**Editorial Cites Dissatisfaction**

*BK0501095295 Bangkok PRACHACIAT THURAKIT  
in Thai 4 Jan 95 p 1*

[Editorial: "Amended Constitution Does Not Deserve Praise"]

[FBIS Translated Text] Parliament's overwhelming vote of approval for the amendment to the Constitution in the final reading came as mild relief. A reason for the approval is the fact that the 360 MP's and 270 senators had deliberated it thoroughly in the first and second readings. Almost every MP seems to be proud that they participated constructively in the first-ever amendment of the supreme law of the nation.

As Thai people, we are proud that the country's supreme law has been improved and we hope that it will be put into use promptly. However, many important parts of

the development of democracy remained buried and their progress delayed. We have also felt let down by Parliament's poor performance in taking two years to amend the Constitution. All we have gained is a small step along the path of democratic development. The foundation of democracy—decentralized administrative authority—has not been acted upon. Unconvincing and deficient reasons have been given for this delay, given the era of globalization, when people's wishes and knowledge can no longer be denied.

We cannot thank and praise the performance of the current group of parliamentarians with a clear conscience, because this below-standard performance reflects their insincerity and thinking, which lags behind that of the people. We regret that the current Parliament turned the decentralization issue into a political game. They did not seriously and sincerely check the aspirations of the people. It is regrettable that those given a mandate by the people to make decisions have failed to show sufficient leadership qualities.

The criticism—that the constitutional amendment was disappointing because it amounted to little improvement considering the changed situation—is correct. For this reason, politicians should not be angered by the criticism and try to rebut it as if it was made by an enemy. They themselves should know if their performance and responsibility over the constitutional amendment really deserves praise.

How can people hope for a democratic Constitution if the current Parliament is satisfied and prides itself in what it has achieved in the latest constitutional amendment, and refuses to listen to any criticism? In fact, today we accept the new Constitution as "better than nothing," if it will make politicians improve their ethics and conduct. If they do not do so, they are no better than worthless exploiters as far as the people are concerned.

#### **Editorial Urges Foreign Minister To Resign**

BK0601092295 Bangkok THE NATION in English  
6 Jan 95 p A6

[Editorial: "Thaksin Should Show the Spirit of the Constitution"]

[FBIS Transcribed Text] The Constitutional Amendment Bill is a national building block that came into being along a long and arduous road. That the spirit of democracy and civil rights is enshrined in the act is underscored by the 591-1 majority vote by the joint House-Senate session on Wednesday.

But the law in itself does not provide a total guarantee that the democracy and civil rights clauses will advance, as we have witnessed through several military coups and rampant voting buying during national elections. If a new chapter of Thailand's political maturity is beginning with the passage of the bill, everyone in this country, from politicians to voters, must make the utmost effort to maintain the spirit of the act.

Now the bill is passed and waiting for enactment when it is published in the Royal Gazette, it immediately faces its first test in the form of Thaksin Chinnawat, a telecommunications tycoon who was appointed by the Phalang Tham Party as the foreign minister about a month ago.

Articles 102, 114 and 167 prohibit Senators, MPs and Cabinet members from being a party to any monopolistic concessional contract with government agencies or state enterprises, directly or otherwise.

Thaksin has built up his wealth (personal assets estimated at Bt [baht] 60 billion) and power through state concessions. He and the political arena have been aware that he may have to resign when the Constitutional Amendment Bill is enacted. Thaksin has said all along that he was ready to bow out. He said he would make the decision by the next Cabinet meeting, scheduled for Tuesday [10 January].

#### **Empire built on concessions**

Thaksin's empire has grown by winning concessions from the state to operate mobile telephones, cable television, and satellite communications. His companies continue to seek concessions and contracts from the state—some under monopoly, some under oligopoly and some under full competition.

The issue has, firstly, become bogged down in legal interpretations as to whether the various concessions obtained by Thaksin's companies are monopolies. His satellite concession is a monopoly while the mobile telephone operation, depending on bandwidth limitation, can be defined as either monopoly or oligopoly. The differences between monopoly and oligopoly are minimal and should not be used to override the principle. Lately, the definition of the contracts has also been blurred through the use of the terms "concession" and "investment".

While such legal technicalities are subject to debate and can be interpreted by the Constitution Tribunal, the Phalang Tham Party has allowed Thaksin to make the decision himself whether to stay or resign.

In the interests of fairness, Thaksin should resign on Tuesday to pave the way for the Constitution Tribunal to make its legal interpretation without the overhanging shadow of a senior Cabinet minister. This will once and for all clear the discrepancy in the legal interpretation. Everyone knows that Thaksin harbours political ambitions. There is nothing wrong with this. An interpretation may be indeed pave the way for him to return and stay in triumph and without public scepticism. This would not only be good for the Thai political system, but also the spirit of the law.

#### **Sacrifice and courage needed**

Leaving the foreign portfolio requires a sacrifice and courage. It means a headache for both the Phalang Tham

Party and the Prime Minister Chuan Likphai. But a replacement can be found. Thaksin has a catalyst role to play in keeping the spirit of the law, democracy and fairness alive.

Yes, it may be possible for him to argue that some contracts with the government are not concessions nor are they monopolies. But without an official ruling by the Parliamentary Constitution Tribunal, the public can never be sure. Certainly, when these contracts were first granted, Thaksin was able to operate monopolies for certain periods, thereby allowing his companies to reap maximum profits and business advantages.

Thaksin was also successful in influencing state decisions at the time to overturn a bid on the satellite concession, and subsequently on telephone directory publishing. He has won the satellite bid and is on the way to win the telephone directory bid.

So he has earned and thrived in the spirit of businesses which are not fully liberalized. He should give something back to the nation by keeping the spirit of the Constitution on a high note.

Thaksin is a man of our time and opportunities for him to prove himself to the nation are at this moment without limit. We hope that he proves us and the nation right.

### Petroleum Output Totals 85 Million Barrels

BK0301063695 Bangkok BANGKOK POST in English  
3 Jan 95 p 15

[FBIS Transcribed Text] Thailand's indigenous petroleum production in 1994 totalled 85 million barrels in crude oil equivalent, representing 32 percent of national petroleum demand in the year, according to the Department of Mineral Resources.

Director-general Pricha Atthawiphat reported these figures to new Industry Minister Trairong Suwannakhiri who made his first official visit to the department's headquarters yesterday.

Average natural gas production in the year was 1.1 billion cubic feet per day, 31,000 barrels per day for condensate and 25,000 b/d of crude. The total value of petroleum production in the year was 28 billion baht.

The majority of the natural gas and all the condensate came from gas fields in the Gulf of Thailand operated by Unocal Thailand and Total Exploration & Production Thailand. A good part of the crude oil originated at Thai Shell exploration & Production's Sirikit oil field in Kamphaeng Phet.

The official said indigenous petroleum production would increase in the future from fields like Bongkot, Phailin and Thantawan.

The department's total mineral royalty collection in the year amounted to 27 billion baht.

### 'Huge' Oil Reserves Found in Gulf of Thailand

BK0501083895 Bangkok THE NATION in English  
5 Jan 95 p A1

[FBIS Transcribed Text] Exploration company Maersk Oil Thailand has discovered more crude oil, natural gas and condensate than expected in the Sunflower Field in the Gulf of Thailand.

Pricha Atthawiphat, director-general of the Mineral Resources' Department, said the company has found a huge volume of petroleum in six out of the seven exploration wells.

The crude oil flow is 15,470 barrels a day compared to about 24,000 barrels being produced per day at the Sirikit oil field in Kampaengphet province.

The natural gas flow is 237 million cubic feet of gas daily and the level of condensate or oil produced together with the natural gas is an equivalent 1,700 barrels per day.

This discovery represents about 10 per cent of the total petroleum currently being produced in the country.

The company is expected to produce oil and natural gas from the Sunflower Field in the next two years when the state-owned Petroleum Authority of Thailand completes the natural gas pipe laying to the source. Maersk Oil is expected to submit their production plan early this year.

Thailand's crude oil is currently produced at the rate of 24,800 barrels per day with condensate production of 30,000 barrels and natural gas of one billion cubic feet.

The huge oil reserve is expected to encourage more foreign companies to attend the next oil survey and exploration bid to be called this year.

Maersk Oil won the 13th bid for oil survey and exploration concessions held in 1991. Since the department first called bids for oil resource exploration in 1971, 104 international oil companies have attended the bids. Only 47 of them have won concessions and currently 23 companies have concessions to survey and explore for oil resources in the Gulf of Thailand, as well as inland.

In 1994, concessionaires surveyed and explored 113 oil wells. The total petroleum production last year was 11 per cent higher than in 1993 and was worth Bt30 billion. The government collected Bt3.7 billion in royalties from this business, Bt450 million higher than in 1993.

Pricha said that in the next five years Thailand will be able to increase its natural gas production to 2.25 billion cubic feet per day from 1.04 million cubic feet at present. Daily crude oil production will rise by 15,000 barrels from 26,000 barrels.

However, the overlapping of various territorial waters covering an area of 32,000 square kilometres is a major problem which hinders oil resource survey and exploration.

A delegation from the department and the Foreign Affairs Ministry will meet with the Vietnamese government during Jan 10-13 to discuss the problem while talks with the Cambodian government will be held by mid 1995.

Pricha noted that the amount of petroleum varies in each field. At the Sunflower Well I, the flow of crude is 5,500 barrels daily and natural gas is 26 million cubic feet per day. The second well should produce 1,700 barrels of condensate and 70 million cubic feet daily.

### Vietnam

#### Eight Teams With U.S. Begin 33d MIA Search

*BK0601115095 Hanoi Voice of Vietnam in English 1000 GMT 6 Jan 95*

[FBIS Transcribed Text] Eight joint Vietnam-U.S. teams have begun to search for remains of Americans missing in action [MIA] in the Vietnam war. They will account for 27 cases at 70 sites in 16 provinces. It is the 33d joint search since 1988 relating to 100 particular [as heard] MIA's.

#### Party Secretary Receives Italian Ambassador

*BK0601153995 Hanoi VNA in English 1401 GMT 6 Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan. 6—General Secretary Do Muoi received here this afternoon Italian Ambassador to Vietnam Mr. Gianluigi Pasquinelli, who paid him a courtesy visit.

Ambassador G. Pasquinelli expressed his admiration for the socio-economic achievements recorded by the Vietnamese people in the on-going renovation process, particularly the country's economic growth.

He affirmed that despite its domestic political changes recently, Italy always wished to promote its friendly cooperative ties with Vietnam. He also noted that more and more Italian businessmen have been interested in doing business in Vietnam.

For his part, the party leader expressed his thanks to the Italian people for their support to Vietnam in its struggle for national independence in the past, as well as in the current national construction. He said that the existing fine relationship and cooperation between the two countries over the past years would be further consolidated and developed.

#### Defense Minister, Delegation Leave for Laos

*BK0501144195 Hanoi VNA in English 1347 GMT 5 Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan. 5—Defence Minister Gen. [General] Doan Khue is leading a Vietnamese delegation to pay an official visit beginning

today to the People's Democratic Republic of Laos at the invitation of his Lao counterpart Mr. Choummali Saingason.

#### Vo Van Kiet Receives Buddhist Church Official

*BK0601095095 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 6 Jan 95*

[FBIS Translated Text] Prime Minister Vo Van Kiet cordially received in Ho Chi Minh City on the afternoon of 5 January Venerable Thich Tri Tinh, chairman of the Central Administrative Council of the Vietnam Buddhist Church, who paid a courtesy visit on him on the occasion of the 1995 New Year.

Prime Minister Vo Van Kiet solicitously inquired about the health of Venerable Thich Tri Tinh and was happy to learn that, despite his advancing age and poor health, the venerable continues to strive to work for the benefit of religion and the nation.

The prime minister warmly hailed the many positive contributions of the Buddhist Church, monks, nuns, and followers to the renovation process as well as to national defense and construction. He expressed the hope that the Church will achieve closer cooperation with the administration in various activities aimed at motivating the masses to build a solid national unity bloc and will realize that some revolutionary goals can be regarded as positive things in line with what is taught in the Buddhist scriptures.

Venerable Thich Tri Tinh briefed the prime minister on the striking features of the current situation regarding commodity prices in the country. He expressed his dissatisfaction over the anomalies recently displayed by certain senior monks in some local Buddhist churches as this has harmed the enforcement of various party and state policies, including the policy on freedom of religions. He also hailed the administration at various levels for having taken timely measures against those whose actions are detrimental to the sacred things of nature.

#### Further on Vo Van Kiet Meeting

*BK0601130695 Hanoi Voice of Vietnam in English 1000 GMT 6 Jan 95*

[FBIS Transcribed Text] Prime Minister Vo Van Kiet affirmed the Vietnamese party and government policy of respecting religious freedom. He said Vietnam would strive to build a prosperous country in which all Vietnamese religious believers could live in harmony. Speaking at the reception given by Prime Minister Vo Van Kiet, Venerable Thich Tri Tinh informed the prime minister of Buddhism in Vietnam and expressed his gratitude to the Vietnamese Government policy toward religious freedom.

#### Prime Minister Sets Quotas for Imports, Exports

*BK0501150095 Hanoi NIAN DAN in Vietnamese 15 Dec 94 pp 1, 3*

[FBIS Translated Text] TTXVN [Abbreviation for THONG TAN XA VIETNAM or VIETNAM NEWS

## SOUTHEAST ASIA

**AGENCY]**—The prime minister recently issued a decision, approving the following list of export-import items under the 1995 export-import plan:

- a) For export: Rice.
- b) For import: Oil and gas, fertilizer, commonly-used steel, black cement, sugar, cars with 12 seats or less, and motorbikes.

The decision approves the quotas for goods entitled for export or import during the period 31 Mar 1995 to 31 March 1996 as follows:

- Rice: Approximately 2 million tons, including an export quota of 1.6 million tons for immediate allocation.
- Gasoline and oil: Approximately 4.8 million tons, including an import quota of 4.5 million for immediate allocation.
- Fertilizer: Approximately 1.3 million tons, the quota for which has been allocated since the beginning of the plan year.
- Commonly used steel: Approximately 6 million tons, the import quota for which has been allocated since the beginning of the plan year.
- Black cement: Approximately 2.2 million tons—including nearly 1 million tons of clinker—with an import quota of 2 million tons for immediate allocation.
- Sugar: Approximately 70,000 tons—including raw sugar—the import quota for which has been allocated since the beginning of the plan year.
- Cars with 12 seats or less: 6,500 units—including nearly 1,500-2,000 units to be assembled locally—the import quota for which has been allocated since the beginning of the plan year.
- Motorbikes: 350,000 units—including 170,000 fully-assembled units and the component parts for 180,000 units to be assembled locally—the import quota for which has been allocated since the beginning of the plan year.

The Ministry of Trade must make its one-time decision on the quotas for the above items and must announce its plan from the beginning of the year. This is to enable enterprises to make their capital and market planning in accordance with local market demands.

Apart from those general stipulations established in Ordinance No. 33CP, this decision also provides specific stipulations governing the responsibility of various ministries and sectors to regulate those export-import items that fall under the established plan.

Regarding goods that fall under the policy of privileges for ethnic minority compatriots, while keeping in mind the policy to shift from providing subsidies in kind to

subsidies in cash, the State Planning Commission; the Nationalities and Mountain Region Committee; the Ministry of Finance; the Ministry of Labor, War Invalids, and Social Welfare; and the Ministry of Public Health must discuss and arrive at unanimous decisions on who will benefit from the subsidy policy, on the standards of quality for goods, and on the quotas allocated for each locality. On this basis, they must reach agreement with various localities over how to obtain assistance from the 1995 Relief Fund for Mountain Regions. Chairmen of the people's committees of various provinces will be charged with the duty of handling the allocation of goods to eligible recipients and will take responsibility before the prime minister over this.

#### Assembly Standing Committee Meets 27-31 Dec

*BK0501143595 Hanoi VNA in English 1347 GMT  
5 Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan 5—The Standing Committee of the National Assembly met here from Dec. 27-31 in the presence of Vice President Nguyen Thi Binh, said a communique recently released here by the committee.

During the meeting, chaired by National Assembly Chairman Nong Duc Manh, the Standing Committee reviewed its implementation of tasks and power in 1994, passed a working programme for 1995 and discussed measures to raise the effectiveness of the committee's activities, thus contributing to the country's renovation.

The Standing Committee also reviewed its preparation for the 7th session of the ninth National Assembly, including a draft on code of civil law. In view of the importance of the civil law in Vietnam's legal system, the Standing Committee decided to make known the draft for public comments.

The Standing Committee made suggestions to other drafts on mineral law, law on organization of administrative arbitration body, ordinance on diplomatic titles, ordinance on fees and ordinance on public employee.

#### Thrift, Anticorruption Measures Issued

*BK0601102195 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 6 Jan 95*

[FBIS Translated Text] On 4 January the government made public various specific measures aimed at implementing the National Assembly's resolution on the practice of thrift and on the fight against waste, corruption, and smuggling in 1995.

In 1995 and the ensuing year, the continual evaluation of the task regarding the practice of thrift and the fight against corruption, waste, and smuggling will be an important matter for the government. The aim is to bring about a drastic improvement in this task.

The government has set forth six specific measures for deployment and implementation by various ministries,

corresponding organs, and other government agencies. One of these measures calls for the examination and revision of existing documents. It also calls for the dissemination of new documents dealing with such domains as land use and housing management, infrastructure construction, export-import activities, immigration, and investment cooperation as well as the dissemination of other documents on tax, levies, and fees.

Regarding the practice of thrift, in 1995 various ministries, sectors, units, and localities must continue struggling to attain the goal of reducing the budget for administrative and service activities by 5 percent and the budget for infrastructure construction by 7 percent. The amount of money saved must be put into the Administrative and Service Fund or used for investment in welfare projects carried out by relevant ministries, sectors, units, and localities. This, however, must be done publicly and a report on this must be submitted to the Ministry of Finance. The Ministry of Finance must directly monitor and inspect the practice of thrift and the use of the savings mentioned previously.

Various ministries and sectors and the people's committees of the provinces and cities under the central authority are responsible for providing close management over investment in infrastructure construction. They must strive to prevent indiscriminate and fragmented investment in construction or investment in unrealistic projects. In the event that a ministry, sector, unit, or locality is found to be allowing waste or the ineffective use of investment, the government must take disciplinary action against the leader of the ministry, sector, unit, or locality concerned.

#### NHAN DAN Calls For Greater Achievements in 1995

BK0501063295 *Hanoi Voice of Vietnam Network in Vietnamese* 2300 GMT 4 Jan 95

[NHAN DAN 5 January editorial: "Looking Forward to the Party's 65th Founding Anniversary With Concrete Deeds"]

[FBIS Translated Text] To commemorate an anniversary is not just an occasion to recall events in the past, but it is time to review and draw on lessons to surge forward to fulfill the new tasks. In commemorating our party's 65th founding anniversary, we should commend and strengthen everyone's efforts to build the party and work hard to attain the objectives of making our people prosperous, our nation powerful, and our society equitable and civilized. It is also the occasion to enhance the people's pride and confidence in our nation, party, and our esteemed beloved Uncle Ho.

On this same occasion, we should express our profound gratitude to the elder revolutionaries and communist combatants, families who protected cadres during the revolutionary and resistance eras, families who have rendered meritorious services to the revolution, and

those who have fought and sacrificed for our national independence, freedom, and the people's happiness.

In reviewing the 1994 tasks during the new year, various sectors, echelons, and localities must correctly appraise the achievements, shortcomings, and weaknesses of their units to formulate concrete programs of action for 1995 to fulfill all the assigned tasks.

We must strive to make ever greater achievements in 1995, the year in which our entire party, people, and armed forces will make their utmost efforts to improve and develop the socioeconomic, national defense and security, and foreign affairs domains. It is the year that we must strive to gain new achievements in the struggle against corruption, smuggling, bureaucratism, and other social vices to restore our people's confidence, enhance party prestige, and promote the efficacy of various state apparatuses.

#### Oil, Gas Exploitation in 1994 Reviewed

BK0601095495 *Hanoi Voice of Vietnam in English*  
1000 GMT 5 Jan 95

[Station commentary]

[FBIS Transcribed Text] The international conference on oil and gas last year described the future of Vietnam's oil and gas as promising. Vietnam is already the fourth largest petroleum producer in Southeast Asia following Indonesia, Malaysia, and Brunei. As a young industry, it has just entered into joint ventures with foreign companies. In the last 11 years, it has pumped up 100,000 barrels of crude oil a day. In 1993, the industry exploited from 79 drilling wells an output of 6.3 million tonnes; and in 1994 nearly seven million tonnes.

Vietnam has signed 27 contracts on the exploration and exploitation of oil and gas with 15 foreign companies. Some 171 lots have been identified over an area of 160,000 km [figures as heard] on the continental shelf. Thirty nine lots have been explored and exploited. In the Eastern Sea off Vietnam, there is a race between oil and gas companies of Russia, India, Malaysia, Indonesia, Great Britain, France, Holland, Australia, Canada, Japan, and the United States.

Midway through last year, a group composing Mobil and three Japanese companies, namely Nissho-Iwai, Japex, and Impec, started drilling on lot five in the Thanh Long oil field, some 300km off shore from Vung Tau. Earlier, the joint venture comprising PetroVietnam, BHP of Australia, Petronas of Malaysia, Total of France, and Sumitomo of Japan exploited the first oil barrels in Dai Hung—Big Bear—oil field. Big Bear's deposit is estimated at one billion barrels. [word indistinct] funds, including the first Vietnamese oil refinery with an initial investment capital of \$1.2 billion and an estimated capacity of 6.5 million tonnes a year.

South Korea's Hyundai has signed a contract with Vietnam's Oil and Gas Import-Export Company, Petrochim,

valued at \$15 million for the construction of a 170-km gas pipeline from Bac Ho oil field to shore. Reliable sources say by the year 2000, Vietnam oil and gas industry will increase its output of crude oil and accompanied gas much beyond the 7 million tonnes pumped in 1994. Twenty to 30 million tonnes of crude oil a year is estimated. However, this will depend on many objective and subjective figures, first of all, the assessment of new deposits. Mr. Ho Sy Thoai, general director of the Vietnam Oil and Gas Corporation said: Vietnam still has available lots ready to cooperate with foreign companies in exploitation including those from the United States. The general director said there were favorable conditions in the world market for Vietnam's oil and gas industry to develop. Vietnam has a regional strategic position because it lies in a developing region where demand for oil products will increase remarkably in the next decades. At present, 60 percent of crude oil used in the region has to be imported from the Middle East, but Vietnam will have to pump up several dozens of millions of tonnes of oil a year.

Mr. Ho Sy Thoai said the Vietnamese Government has developed a plan to rally all companies into a dynamic organization as a large corporation. Only by so doing can Vietnam mobilize the aggregate strength of the industry and move to a closed cycle running from exploitation and production through to doing business. Such a corporation will be strong enough to find partners in the big global companies.

The Vietnamese Government has been aware of the special importance of exploration and the processing technology of oil and gas products such as accompanied gas, natural gas, and petrochemicals as a way to raise the value of crude oil.

#### **Army Reviews 1994 Party Organization Task**

*BK0507154095 Hanoi QUAN DOI NINH DAN in Vietnamese 16 Dec 95 pp 1-4*

[Report by correspondent Tho Truat]

[FBIS Translated Text] During 14-15 December, the Army Political General Department held in Ho Chi Minh City an all-army conference to review the party building and organization tasks. Attending the conference were a large number of cadres in charge of party organization from all military regions, military corps, armed services, and combat branches. Senior Lieutenant General Nguyen Nam Khanh, party Central Committee member and deputy general director of the Political General Department, chaired the conference.

Comrade Nguyen Duc Son, head of the party Building and Organization Department, briefed the conference and pointed out that in implementing the party renovation and rectification policy in 1994 the Army party organizations have made significant progress in mobilizing all party members and the Army to participate in

strengthening the party building task. Party organizations in the Army have maintained a unwavering political stand and absolute loyalty to the party, fatherland, and the people. The party by-laws have been seriously observed and the principle of centralized democracy has been emphasized. Party committees at all echelons have been refined in both terms of quantity and quality, thus reflecting the policy of building effective party committees from the company level. The Army has recruited nearly 10,000 new members, which is 15 percent higher than the 1993 figure. The ratio of party members violating party by-laws has decreased, and there have been no cases of members defecting party activities or voluntarily waiving membership. The relationship between party organizations and the local people has been constantly improved, and at some localities there have appeared exemplary cases of building a good political base in the locality. Many grassroots party organizations have reached standards of clean, steadfast party organization. Confidence in the renovation undertaking along the path of socialism has been consolidated and heightened to a higher level.

Speaking at the conference, Senior Lieutenant General Nguyen Nam Khanh impressively analyzed the background of world political developments, the difficulties and advantages of our revolution, and the achievements and obstacles still lying in front of us in the renovation process. He said: "Our ideology has never been so aggressively confronted as at the present. The basis of our theories, which is Marxism, Leninism, and Ho Chi Minh's thought, is being fiercely attacked with all malignant tricks by our enemies. However, together with the achievements in the renovation undertaking, the determination of our army has been a steady and reliable stronghold for the party, the administration, and the people."

On the future direction for the party building task for all Army party organizations, he stressed: "Our army has been built up in the direction to become a revolutionary, regular, outstanding, and modernized army; therefore the political and party building tasks should also aim at building an army outstanding in political acumen and able to counter successfully all reactionary theories and distortions of the enemy no matter what form they may take. Party members, officers, and combatants in the Army should always be politically keen and sensitive. Everybody should strive to heighten their education in the principles of Marxism, Leninism, and Ho Chi Minh's thought as well as the party renovation viewpoint. All combatants should be trained to be excellent fighters in the Army and exemplary members among people in civilian life. All units should pay appropriate attention to the Army logistical tasks, such as occupational training and employment creation for discharged soldiers. Strict and resolute measures should be applied in handling cases of cadres violating party by-laws and showing signs of degeneration or departmentalism. The principle of centralized democracy should be widely implemented, especially in cadre work. The effort to build steadfast

party committees should start from the company level. The task of building revolutionary characters for cadres and combatants should be considered the prime task as it is the essential prerequisite for all units to fulfill successfully the duty of protecting the fatherland and contributing to the national construction. The principles of openness and democracy in economic activities should be highlighted as they help the consolidation of internal solidarity and Army discipline.

\* General on Party Building at Officers Schools

952E0033A Hanoi TAP CHI QUOC PHONG TOAN DAN in Vietnamese Nov 94 pp 4-7

[Article by Senior Lieutenant General Nguyen Nam Khanh: "Party Expansion at Officers Schools"]

[FBIS Translated Text] Academies and officer candidates schools are institutions that train military party cadres, people who serve permanently in the Army and directly organize implementation of party resolutions and directives, state laws, and the military's political tasks in various units. Military party cadres are also people duty-bound to seriously abide by the principle that the party absolutely and directly leads the Army in all respects. Therefore, be they commanding cadres schools, political cadres schools, or specialized, technical cadres schools, all training establishments must have a profound understanding of the concept of *closely combining cadre-contingent building with party-member contingent building and party-organization building*. Doing a good job of recruiting new party members from among the trainees is a regular political task of all military academies and schools.

Over the past few years, on the basis of thoroughly understanding the seventh party congress Resolution, the Resolution of the Third Plenum of the party Central Committee, and Resolution 79 of the Military Commission of the party Central Committee on party renovation and rectification, party organizations of the bloc of officer candidates schools have actively carried out party expansion in conjunction with the cadre training process and have achieved some good results. Each year, the bloc of military academies and schools has admitted a number of new party members accounting for 20% to 25% of the total number of new party members recruited by all military party organizations. The number of party members recruited in any given year has always exceeded the number admitted in the preceding year. For example, the number of party members recruited in 1993 increased by 67.6% over 1991, and the number admitted in the first six months of 1994 exceeded that admitted in the same period in 1993 by 258%. Since 1992, at several schools, party members have accounted for 87% to 98% of many classes of graduates. For instance, in the 1993-1994 academic year, party members accounted for 95.5% of the graduates from the Infantry Officer Candidates School I, 98% of the graduates from the Artillery Officer Candidates School and the

Chemical Warfare Officer Candidates School, and 99.2% of the graduates from the Political-Military Officer Candidates School. In some classes of the Infantry Officer Candidates School II, 100% of the graduates were party members. Owing to effective party-expansion work, relations between party members and the masses have been further consolidated, and this has contributed to developing pure and strong grass-roots party organizations and building military academies and schools which are progressive in all respects and which satisfactorily fulfill all political tasks entrusted to them.

Studies carried out in a number of full-strength units have shown that 81.4% of the officers assigned to them over the past three years (1991-1993) were party members. After joining their units, most of the party members recruited at military schools have fulfilled their roles in a satisfactory and exemplary manner and, on the average, have displayed good or excellent leadership and troop-management abilities. Many of them have shown zeal and enthusiasm and have satisfactorily fulfilled their duties. A total of 12% of these party members have been elevated to new positions and 100% have been promoted to new ranks on schedule.... The officers who are party members assigned to units from various schools have contributed to increasing the percentage of party members in the leadership of various units, consolidating party organizations, and improving the leadership of the grass-roots party organizations in all the Army.

These results reflect the fact that the party committee echelons at military officer candidates academies and schools have improved their perception of the strategic significance of combining party expansion with cadre training. They also show that military academies and schools have really become centers for forming and improving cadres and good training places where officer candidates strive to become party members.

Next to the results mentioned above, party expansion work at officer candidates academies and schools have still shown some limitations. For instance, the education of trainees in the correct motives for joining the party is still lacking in depth; the phenomenon of depending entirely on trainees' own efforts to seek party membership remains rather prevalent at many schools, particularly in the bloc of specialized and technical schools. There has been no uniformity in the perception of the party organizations at various schools concerning the need to combine the training of officer candidates with the education and training of potential party members; therefore, the evaluation of party standards and the settlement of relations between quantity and quality in party-expansion work still differ.

Some party organizations contend that, since trainees at schools have few opportunities to be tested in reality and since their principal duty is to study, we must judge their motives for joining the party in accordance with the results of their study and training. Because party members must be definitely superior to the masses, we should

admit only trainees who have received "good," "excellent," and higher marks in study.

Some other party organizations think that any trainee who has actively made efforts in his study and has a pure motive for joining the party needs only fulfill his study duty to be considered for party membership. In the party-expansion process, we need not pay attention to the requirement that party members should strive to do well in all fields.

There are also party organizations that hold that officers are party cadres in the Army, and that any trainee who fails to strive for party membership—despite the highly favorable conditions for education and training offered by military schools—does not deserve to be an officer and cannot be a party cadre; therefore, such a trainee should not be allowed to take the graduation examination, and so forth.

In view of these realities, the issue is that there must be a new concept of party expansion based on the firm maintenance of the party's standards and principles.

At military academies and schools, there is agreement on the training environment in which trainees must strive to become officers, on trainees' unquestionable political background, and on the substance of training. However, there are also differences. The training of officers focuses on quantifying knowledge in accordance with the definite training goals of the schools. As for party expansion, this task requires that trainees be aware of the party's objectives and ideals and voluntarily join the party's ranks to strive for the achievement of these objectives and ideals. For this reason, not all trainees can become party members when they are still in school. Whether and when a trainee should be admitted into the party depends on the standards and conditions stipulated by the Party Statutes. These standards and conditions are:

—Applicants must voluntarily apply for party membership to strive for the achievement of the party's objectives and ideals.

—Applicants must be the most outstanding among the masses and have been tempered and tried in the mass movement.

—Applicants must be exemplary in work and study and must be trusted by the masses.

—Applicants must have a clear background that is not in violation of the party Central Committee's stipulations on political background.

For the reasons mentioned above, in the process of training officer candidates, military schools must organize and guide trainees and must educate them in the correct motives for joining the party. This is aimed at encouraging officer candidates to train, to have a correct perception of the party, and to voluntarily apply for party membership.

Results of party-expansion efforts depend on many factors, such as the source of input, the educational and training environment, and the quality of education and management. But an important, decisive factor is the effort of each individual. Therefore, while 100% of the graduates of some schools and classes may be party members, other schools and classes should strive to ensure that at least 60% of their graduates are party members. However, whether party expansion is done at schools or in units, in carrying it out we must hold fast to this guideline: Attach special importance to both quantity and quality, considering quality the main factor; when considering a person for party membership, we must adhere to all the four criteria listed above and should not belittle any of them.

For this reason, if we set the target that all trainees must be party members when they graduate (that is, they must be officers-party members, officers-engineers-party members, officers-doctors-party members... at the same time), party membership standards may be somewhat compromised, and the party's principles may be violated. This may at times prevent us from achieving our objective and make it difficult for us to find the cause of the failure and the persons responsible for it.

Concerning political background, a person admitted into the party and into an officer candidates school must have an unquestionable background; only those who are politically qualified for party membership should be enrolled as military officer candidates. For this reason, the party committees of various schools should direct all organs to reexamine enrollment records; if anything unclear is found, it must be resolutely investigated, clarified, and concluded right in the first year of training. When examining and investigating a trainee's background, we must adhere to the regulations established by the Party Central Committee, that is, with regard to family relationships, we should only look into a trainee's relationships with his parents by birth, his spousal relationships, and his relationships with persons who fostered him. These are people who have strong economic and sentimental ties with a person applying for party membership and who may influence his political stance, thinking, and viewpoint. Concerning those trainees who are clearly identified in enrollment records as children or brothers of cadres and party members, no investigation is required.

No individual schools may establish their own requirements regarding trainees' political background, because such an action would be in violation of the established principles and can easily cause misunderstanding. At the same time, we must oppose subjectivism and complacency which would allow opportunistic and bad elements to worm their way into the party and the Army officer corps.

In their training subjects, plans, and processes, military academies and schools must thoroughly apply the concept that "in building the contingent of cadres we must

hold fast to the most fundamental and important requirement, namely, ensure ceaseless strengthening of the party leadership over the Army, improvement of the quality of the party member contingent, consolidation of the party organizational system...." Carrying out the process of training officers candidates is also carrying out the processing of fostering, training, and testing prospective party members. This is aimed at ensuring that all new officers are comprehensively equipped with good political quality, knowledge, command and management abilities, capability to do political work....

Training subjects about the party must be included in the official curriculum in such a way as to suit them to the characteristics of trainees at various levels and in various branches of study. When considering trainees for party membership, we must base our decisions on their overall efforts, including the results of their study, the development of their quality and virtue, their work styles, their lifestyles..., none of which should be belittled. We should consistently determine that all officer candidates are prospective party members.

Using several means, we must regularly and persistently educate trainees in the motives for joining the party, considering this effort a factor deciding the quality of new party members.

Young people who choose to enter officer candidates schools by taking entrance examinations are often driven by different motives. Most of them are high-school graduates who have reached a definite level of education. However, they still lack experience in life, have not been tested in difficult and complex situations, and are regularly exposed to the negative influences of the market mechanism. At present, training at various officer candidates schools lasts from four to six years (depending on the training levels). This seemingly long period is in fact very short for the whole process of striving to achieve the party's objectives and ideals. Therefore, party expansion work must be done in a comprehensive manner.

*Educating each officer candidate in the correct motives for studying and striving to change his spontaneous efforts into conscious endeavors to fight and make sacrifices for his ideals, for the renovation undertaking, and for the building and defense of the socialist homeland* is a very important task that decides the outcome of his study and training. This task must be carried out regularly, persistently, and thoroughly by closely combining general education with individual propaganda efforts, theoretical activities with concrete, practical revolutionary deeds. The most fundamental method is to penetrate deeply into the life of each candidate in order to improve him by means of verbal exhortations, dialogue, and persuasion. Each lecture, each subject of study must be linked with the educational efforts to inculcate trainees with correct motives for joining the party and with a partisan character. We must attach special importance to monitoring and detecting any change in the thinking of cadres, party members, and trainees. We must take the

initiative in equipping each person with the necessary knowledge to explain problems that crop up in real life. We must enhance the militancy of ideological work, overcome all manifestations of subjectivism and simplism and the method of ideological education based on administrative orders, which consist of one-sided preaching about the advantages only. Worse still, party membership seekers are sometimes led to wrongly think that joining the party is simply an honor and a political privilege, without being adequately told about difficulties and the conflict between party interests and personal interests and between short-term and long-term interests. Those who wish to apply for party membership should be informed of these difficulties and this conflict so that they may develop a sense of responsibility in all fields of work to which they are assigned.

Along with educating the masses in correct motives for joining the party, we should attach special importance to *building pure and strong grass-roots party organizations and building military academies and schools that are stable and strong in all respects* so that they may really serve as the centers for educating and training the next generation of Army builders and as the suppliers of good party members for Army party organizations, thereby contributing to building an army that is revolutionary, regular, and well-trained, and that is modernized step by step.

In the cause of building the Army, consolidating national defense, and defending the homeland, one of the decisive, key factors is the building of the cadre contingent. The party committees at all military academies and schools should fully realize their responsibility in order to concentrate their efforts on building comprehensively strong academies and schools worthy of being model units of the whole Army. We should attach special importance to building pure and strong grass-roots party organizations. We must build a contingent of party members, in particular those who are instructors and cadres directly managing trainees, in such a way as to ensure that these members really play a leading, exemplary role, that they have sufficient intellect to meet the requirements of their training levels, and that they also are models of political skills, quality, virtue, behavior, and life style for trainees to emulate.

We must build close, permanent relations between schools and units so that schools and units can work together to improve the quality of education and training and the quality of party expansion work.

The grass-roots units of all the Army are the ones that regularly select and supply trainees to officer candidate schools; at the same time, they are receivers of the "products" of officer candidate academies and schools. The quality of education and party-expansion work of schools is reflected most clearly in the results of the practical activities of the officers and party members in units. Military academies and schools should periodically arrange for their instructors to do field work or to

carry out specialized research at various units so that they can gain more practical experience and improve the quality of their lectures. Military academies and schools must maintain regular, close contact with all units in all the Army in order to conduct surveys on the status of the cadres and party members whom they have trained and sent to these units. Through such contact, military academies and schools will work together with units to review and study their practical work in order to gain experience in improving the quality of human resources procurement and the quality of education, training, and party expansion work.

**\* Defense Industry Moving Toward Modernization**  
*952E00344 Hanoi TAP CHI QUOC PHONG TOAN*  
*DAN in Vietnamese Nov 94 pp 16-18*

[Article by Colonel Tran Duc Viet, deputy director of the Defense Industry and Technical General Department: "Defense Industry and the Process of Pushing Industrialization and Modernization One Step Forward"]

[FBIS Translated Text] All developed countries of the world have had to go through the industrialization process. The conditions of and objectives selected by each country have highly diversified this process and its duration has also differed. In terms of time, it took Great Britain nearly 120 years, West Europe and the United States almost 80 years, and Japan close to 60 years to complete this process, while the "Four Dragons" of Asia needed only 20 years to achieve industrialization. In terms of objective, in the developing countries, manufacturing is the leading sector of their entire economies; other countries, however, consider processing industry development to be the pivotal area of industrialization. Thus, while the industrialization concept remains the same everywhere, each country has its own requirements, targets, and orientation.

Industrialization can be understood in two basic ways. First, it means shifting an economy that depends chiefly on labor power to the use of machinery and increasing the proportion of industry in all areas of economic activities. This change is regarded as a fundamental transformation of the economic structure in accordance with strong development of industrialization coupled with increasingly modern technological renovation and urbanization. Second, at a time when modern science, techniques, and technology are developing ever more strongly, industrialization no longer consists simply of switching from manual labor and human power to machinery; instead, it must be closely linked with modernization, with the application of modern science and technology to replace part of human labor, and with the use of machinery to create never-ending labor productivity. As the economist Babinseva (of the former Soviet Union) once generalized: Industrialization is a system of all sociotechnical and socioeconomic transformations in social production. On the basis of such transformations is built one of the modes of production based on

mechanical techniques and industrially-organized social production<sup>1</sup>. Industry has become the most basic factor in evaluating the development of an economy. Industrialization and modernization are an essential, objective requirement and a universal method of attaining important targets in order to take the country forward.

As for our country, the Resolution of the Mid-Term Party Congress has clearly stated: "Industrialization essentially consists of building the material and technical base of socialism. This does not simply mean increasing the pace and proportion of industrial production in the economy; it is in fact a process of structural transformation closely linked with radical technological renovation and aimed at laying the foundations of fast growth and high efficiency and underpinning the entire national economy." On the other hand, "Industrialization must go hand in glove with modernization, combining gradual technological advances with seizing opportunities to take short cuts in order to achieve fast development in accordance with advanced world standards."<sup>2</sup> "The long-term goal of industrialization and modernization is to transform our country into an industrial state equipped with a modern material and technical base, a rational economic structure, and progressive production relations conforming to the level of production development; a state that enjoys high material and spiritual living standards and has strong national defense and security, thereby making the people prosperous, the country powerful, and society equitable and civilized."<sup>3</sup>

"Industrialization and modernization are the cause of all the people and all economic sectors, of which the state economic sector is the leader."<sup>4</sup>

Defense industry is a component of the national industry. Defense industry development both affects and contributes to the advancement of national industrialization and modernization.

If defense industry is to develop steadily, to integrate with the national industry, and to have a positive impact on the industrialization and modernization process, we should pay attention to the following important tasks:

**1. Firmly maintain and exploit to the fullest the defense production capability currently available.** The system of defense industrial production includes the factories and enterprises managed by the Ministries of National Defense and Interior and the civil industrial plants capable of participating in national defense in peacetime and being mobilized in case of hostilities. Since most of these factories and enterprises were built in the early 1960's and late 1970's, their equipment, machinery, and production lines are, generally speaking, outdated. However, they still shoulder great responsibilities and are still capable of repair work and producing many kinds of common equipment and weapons used by our Army. They can also participate in maintaining various kinds of modern, advanced weapons and equipment currently in our possession. Moreover, they still play the leading role

in repairing and producing basic weapons and equipment for the people's armed forces. On the other hand, in the current difficult situation, there is still no hope that we will be able to build numerous new defense factories simultaneously even in many years from now; therefore, firmly maintaining the present potential and exploiting to the fullest the defense production capability currently available are an important basis for our defense industry to develop and advance. This task is aimed at bringing into full play the existing advantages in order to advance to newer and more developed targets, and at using short-term projects to sustain long-term ones as dictated by the situation of our country in the period of transition to socialism.

**2. Make in-depth investment and expand the scale and increase the modernity of the defense industry.** Some people think that the defense industry must expand the area of modern industry, quickly import technologically advanced production lines and processes, replace all or most of the current technological production lines.... In the immediate future, this approach may yield a high rate of growth and turn out many kinds of essential products; however, it would require a great deal of capital and a high level of technical expertise..., that is, there must be a high degree of homogeneity in all elements of production.

Recently, reality has shown that many projects have been left unfinished because of a lack of clearly defined targets, suitable solutions, and high feasibility. Some projects have caused considerable waste and have yielded low efficiency because the machines imported for them were not homogeneous with the existing equipment, thereby preventing their machines and production lines from functioning at full capacity. Moreover, the technical standards and requirements of some imported equipment were not suitable for the standards of our production lines and could not be adapted to the traditional products of the factories concerned, thereby causing waste and increasing production cost.

Thus, in the current favorable conditions of the open-door policy, not everything that is new and modern is good and can be brought into our country, nor can such acquisitions be regarded as a sign of development. We must take the initiative in effecting the transfer of technology, concentrate investment on technological development in the country, curb and eventually stop the importation of discarded technologies which would cause waste of raw materials and energy, environmental pollution, and other negative consequences.

An appropriate choice here is for us to invest in some specialized equipment and some essential technologies and processes suitable to and homogeneous with the equipment and production lines we already have in order to gradually enhance the modernity of our defense factories and enterprises and to improve the quality and reduce the production cost of their traditional products. The choice of advanced but suitable technological solutions is aimed at meeting the demand for transforming,

upgrading, and homogenizing the existing production lines. This is also a way of making selective, in-depth investment to fully and effectively exploit the existing material and technical base and, at the same time, to anticipate the achievements of scientific and technological development in the world and to advance directly to modern technology capable of being widely applied, improving the domestic scientific and technological standards, and being combined with and modernizing traditional technology. In the long run, owing to the development of defense and military tasks, the defense industry must study a long-term investment program aimed at importing new equipment and technology to gradually approach the world standards and to produce weapons according to the demands of national defense. Such investment must be made boldly, accurately, and without concern about cost.

As a component of the national industry, the defense industry must consider combining economic building with national defense, and vice versa, to be an essential task. The defense industry should attach special importance to investing in highly specialized areas in accordance with defense production duties while paying attention to the possibility of producing civilian products in peacetime. In defense production, alloy steel and non-ferrous metals are in great demand; cast and forged blanks, large machining equipment, chemicals plants... are also needed. But the defense industry can not do everything by itself; exceedingly large capital investment would be required, and managerial work would be further complicated. For this reason, the state should concentrate on investing on a priority basis in expanding a number of industries that have a far-reaching effect on economic development and national defense consolidation. As for the civil factories, they should also incorporate the national defense task into their general strategy for production development.

**3. Make adequate investment for research and experimental production.** We must clearly realize that our country can advance only by means of scientific and technological development. Investing in science and technology is investing in industrialization and modernization. Making adequate investment for research and experimental production is to lay the foundations of the development of defense industry.

Research must be concentrated on selecting, mastering, adapting, and multiplying imported technologies, upgrading and modernizing the traditional technologies, and finding a solution to those technologies incapable of being exchanged and cooperating with foreign countries. The defense industry should give priority to applied research and experimental production, make the most of the latest achievements to gradually modernize the weapons and equipment currently available in conformity with the demands and conditions of the all-people national defense and with the art of people's war in defending the homeland. With regard to those technologies that have been widely used in the world and that are

practical to us, we should set aside a budget to buy and put them into production at an early date. We should link research subjects with experimental production and new products manufacturing projects to promptly put the results of research to use. We should do organizational work well to effectively exploit the potential of scientists and the equipment of various research institutes and laboratories in and outside the Army. It is no exaggeration to say that some expensive pieces of equipment we have acquired only serve as "ornaments" and are of little use. Such waste should be promptly stopped.

Moreover, we should make adequate investment to upgrade the technological service network, raise the modernity of the defense industry to the level of world standards, and advance toward establishing standards in conformity to the conditions of Vietnam (such as measurement standards, quality control standards, technological evaluation standards, environmental control standards...).

**4. Pay attention to training and improving the cadre contingent.** Human resources are the most dynamic and decisive source of power for achieving industrialization and modernization. In recent years, the supply of cadres has been interrupted, causing shortages of succeeding forces in many places. In the period ahead, we must resolve this problem in a uniform manner by means of training at school and in real life, providing advanced training, and implementing rational incentive policies to promptly create a stable contingent of scientific and

technological cadres in support of immediate and long-term tasks. In addition to the routine plans and projects, in doing cadre-related work we must urgently adopt measures to train succeeding cadres and leading cadres of various sectors, in particular the weapons, ammunition, and antitank gun sectors.... We should study various policies aimed at attracting scientific and technical cadres to the defense industry, gradually improving the material and spiritual life of scientific and technological researchers, and satisfactorily combining economic building with national defense in the training and use of scientific and technical cadres. Moreover, we must also pay attention to renovating and improving the leadership and managerial abilities of party committees and commanders, consolidating grass-roots party and trade union organizations... and enhancing the quality and militancy of all members to meet the demand for industrialization and modernization in the defense industry.

#### Footnotes

1. M.S. Babinseva, *On the Industrialization Concept and Classification of Industrialization Processes*, translated by the Social Sciences Information Institute in 1988.
2. Resolution of the Seventh Plenum of the Seventh Party Central Committee on *Developing Industry and Technology Until the Year 2000 Along the Line of National Industrialization and Modernization and Building the Working Class in the New Period*.
3. Ibid.
4. Ibid.

BULK RATE  
U.S. POSTAGE  
PAID  
PERMIT NO. 352  
MERRIFIELD, VA.

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Transl.] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTS may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTS and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTS and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTS or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTS and JPRS publications are not available. Both the DAILY REPORTS and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.

